

INHERITANCE TAX BUSINESS RELIEF WHERE ARE WE NOW?

The widely publicised U-turns on inheritance tax (IHT) agricultural relief also apply to business relief.

Currently, qualifying business property included in a deceased's estate qualifies for 100% relief regardless of the value of the business property. The relief means that an unincorporated business or a shareholding in an unlisted company can be left to the next generation without any IHT implications.

There are various conditions for business relief to be available, but the most important point is that the property must have been owned for two years.

Timeline of changes

October 2024 Budget: The initial proposals would have restricted 100% business relief to a maximum of £1 million from 6 April 2026. For qualifying business property in excess of £1 million, relief would have been at the rate of 50%. Therefore, on a business valued at £5 million, IHT would have increased from zero to £800,000, assuming nil rate bands are used against other assets.

November 2025 Budget: The £1 million allowance was initially not going to be transferable between spouses or civil partners. The first U-turn saw the allowance made transferable to a surviving spouse or civil partner (even if first death occurred before 6 April 2026). Therefore, the amount of IHT on a business valued at £5 million could potentially be cut from the original £800,000 to £600,000.

December 2025 U-turn: In an announcement made just before Christmas, the government said that the 100% allowance will now be capped at £2.5 million (and will stay at this level until at least 5 April 2031). This means the £5 million business property will again be fully exempt if a surviving spouse or civil partner's allowance is available.

Cohabiting partners

Unlike married couples and civil partners, the £2.5 million 100% allowance is not transferable to a surviving partner where the couple are unmarried or not in a civil partnership. The potential IHT cost is £500,000. Nil rate bands of up to £500,000 are also not transferable, which is another potential IHT loss of £200,000.

Although a long-term unmarried couple may be content as they are, the IHT implications of remaining unmarried could merit a rethink.

Some examples of how the £2.5 million 100% allowance will work can be found [here](#) (note that the examples are based on agricultural property, but the principle is the same).

WE CAN HELP

Contact us on 01753 888 211 or email info@nhllp.com, we are here to help.