



INSIGHTS

New Restrictions on APR & BPR – for businesses & farm owners

Following the Autumn Budget on 30 October the Government have announced a huge restriction to the availability of the UK Inheritance Tax ("IHT") Reliefs – Business Property Relief ("BPR") and Agricultural Property Relief ("APR").

The restrictions will apply from 6 April 2026 and will mean that the reliefs are no longer unlimited.

These changes raise real concern as to the future of family run businesses and farms that would have once been passed down to future generations. Already, farmers have taken to the streets of Westminster to protest the widely covered "tractor tax".

Others will say that the value of farmland has been artificially inflated for years because of the IHT advantages it has afforded and there is a wider debate on land ownership in England, which has long been dominated by a small few.

These heated discussions will no doubt continue, and time will tell if there will be any U-turns on these policies, however we outline in this article what those affected should understand and be considering.



4 DECEMBER 2024
WRITTEN BY
Sinéad Mulligan
+44 (0)161 974 3951
smulligan@tridenttax.com



TRIDENT TAX



What are the Key Changes?

- ▶ From 6 April 2026, a new allowance of £1m which will apply to the combined value of property in an estate that would ordinarily qualify for 100% APR or BPR.
- ▶ Only the first £1m of property in an estate can qualify for up to 100% relief. APR and BPR property above this limit will only qualify for a maximum 50% relief – in other words it will attract a 20% IHT charge on death.
- ▶ AIM listed securities will now only qualify for a maximum 50% relief even if within the £1m allowance. It was anticipated that the relief would be fully abolished and therefore stocks on the AIM market rose following the announcement.
- ▶ From 6 April 2025 APR is extended to apply to land managed under an environmental agreement. This means land taken out of agricultural production permanently or for an extended period for this reason does not lose relief.



The £1m Allowance

The new allowance of £1m will apply to the combined value of property in an estate that would ordinarily qualify for 100% APR or BPR. In practice this means that an estate with £1m property qualifying for 100% BPR or £1m property that is a combination of £700,000 of BPR qualifying and £300,000 of APR qualifying property, will be largely unaffected and will still qualify for 100% relief.

However, where the £1m allowance is exceeded, assets that ordinarily qualify for 100% relief will now only receive

relief at only 50%.

For example, an estate that has qualifying business shares worth £10m, only the first £1m will still qualify from 100% relief and will not be chargeable to inheritance tax, the remaining £9m will be chargeable to inheritance tax at 20% (i.e. relief at 50%), giving rise to a £1.8m liability.

A big question on a lot of people's minds is "how on earth am I going to pay the tax without having to sell my land?"

It will still be possible to plan for this liability to some extent using lifetime gifts, trusts and life insurance (see below), however there will still be a big question mark as to how exactly such a liability should be funded.

It is worth noting that the new allowance is in addition to existing nil-rate bands and exemptions, however any unused allowance will not be transferable between spouses and civil partners.



Therefore, a husband with shares worth £2m would be exposed to a liability of £200k, whereas if the husband and wife held £1m of shares each then this liability would disappear. However, it would reappear if on the death of the wife the shares were left to her husband.

Qualifying Assets

Shares in an unlisted qualifying company or an interest in an unincorporated business can continue to qualify for 100% relief, where they fall within the new £1m allowance – they will only qualify for 50% thereafter, or in other words attract a 20% charge on death.

This is subject to the new exception of AIM listed securities which will now only qualify for 50% relief – this 50% rate is unaffected by the £1m allowance and also remains unchanged for assets already qualifying for 50%, i.e. assets used in the business but held outside of the company, or shares controlling more than 50% of the voting rights in a listed company (although in both those cases it would normally be possible to improve the IHT position by restructuring).

Agricultural property can also qualify for 100% relief but only to the extent it falls within the new £1m allowance – it will be 50% thereafter (and may also be restricted to 50% in certain circumstances).

Lifetime Transfers & CGT

It is important to note that this new allowance will also apply to lifetime transfers that occur on or after 30 October 2024 where the donor dies on or after 6 April 2026.

Gifts made during a lifetime still do not attract any immediate charge to IHT and where the donor survives the gift 7 years, they fall outside the scope of IHT entirely.

Trusts

It will still be possible to transfer qualifying assets to a trust prior to 6 April 2026 without an immediate IHT charge and this could remove the assets from the estate (although the full tax implications of this should be understood).

Trustees will also benefit from the combined £1m allowance on qualifying property where 100% relief applies in situations where a 10-year anniversary or exit charge may arise.

Trusts that have been settled with qualifying assets prior to 30 October 2024, from 6 April 2026, will each have a £1m allowance for 100% relief. Trustees will be able to benefit from the combined £1m allowance on qualifying property where 100% relief applies in situations where a 10-year anniversary or exit charge may arise.

However, rules will be introduced to ensure the allowance is divided between trusts where multiple trust are set up by a settlor on or after 30 October 2024. As ever careful planning will be needed to understand the best approach for each case.



What Can You Do Ahead of 6 April 2026?

With the impending changes to APR and BPR, those impacted have a limited window to take proactive steps to mitigate future inheritance tax (IHT) liabilities. One key strategy is the transfer of shares or other assets into a trust before 6 April 2026. Such transfers can remove the assets from the IHT estate without triggering a 20% lifetime entry charge, provided they are completed within the current rules.

After this date, the value of assets exceeding the new allowance and nil-rate band could attract a significant IHT liability. While trusts will incur 10-year anniversary charges of 3% (or 6% if the assets do not qualify on death), these periodic charges are often considerably lower than the potential 20% or 40% IHT charges on death.

However, for many families and business owners, even with careful planning, IHT liabilities can remain significant, particularly where illiquid assets like land or business shares are involved. In such cases, **life insurance can play a critical role** in providing the liquidity needed to settle these liabilities, ensuring family assets can be preserved for future generations. (See below for detailed examples of how life insurance can be effectively used as part of IHT planning).

The Role of Life Insurance in IHT Planning

Life insurance can be a powerful tool in inheritance tax (IHT) planning, particularly in situations where illiquid assets like farmland, business properties, or other significant holdings form the bulk of an estate. This method can provide much-needed liquidity to cover potential IHT liabilities without requiring the sale of family assets.

Drawing on discussions with **Steve Lawless, founder of Salus Life Insurance Ltd**, here are some practical considerations and examples of how life insurance can complement other tax planning strategies.

For example, a farming couple, aged 61 and 58, with assets worth £23.5m, face a £4.3m IHT liability after April 2026 due to changes in Agricultural Property Relief (APR) and Business Property Relief (BPR). Their assets are largely illiquid, comprising farming and business properties. They wish to retain ownership of their estate while ensuring the farm can pass to the next generation intact.

The couple explores two solutions:

1. **Guaranteed Whole of Life Insurance (GWOL):**

A joint life second-to-die GWOL policy provides £4.3m of coverage for an annual premium of £50,540. This option guarantees a payout to meet the IHT liability and ensures the children inherit the farm intact without the need for asset liquidation.



2. Hybrid Approach Using Term Assurances and GWOL:

A tailored mix of policies provides partial liquidity while delaying the transfer of ownership until their children are older and settled. This includes:

- ▶ Term policies with varying durations (e.g., £1.3m to age 80, £1m to age 85, and £1m to age 90) with premiums totalling £10,161 annually.
- ▶ A GWOL policy for £1m at an annual premium of £11,771.
- ▶ The combined cost of £21,932 annually is more affordable and allows the couple to adjust their plan as asset values change or as their children's circumstances evolve.

The annual premiums noted in the example above are indicative and based on the assumption that the clients are in good health; actual premiums will vary depending on the age, health, and specific underwriting criteria of the life assured, with younger individuals potentially benefiting from lower premiums, though this is subject to individual circumstances and provider assessments.

Benefits of Life Insurance in IHT Planning

- ▶ **Liquidity:** Provides immediate funds to settle IHT liabilities, avoiding the need to sell family assets like farmland or business properties.
- ▶ **Flexibility:** Hybrid approaches allow for phased gifting of assets to children at an appropriate time while maintaining control over the estate.
- ▶ **Certainty:** Policies, once medically underwritten, guarantee payout provided premiums are maintained, reducing risk compared to reliance solely on asset growth or market conditions.

Life insurance solutions must be tailored to individual circumstances and reviewed periodically to account for changes in asset values and personal situations. These policies require underwriting and suitability advice from regulated financial advisers and insurance providers. As such, while life insurance can be a cost-effective and viable alternative to more complex tax structuring, it should be considered alongside other IHT planning strategies.

Credit to Steve Lawless, Founding Partner of Salus Life Insurance Ltd ([Salus Life Insurance - Specialists in placing high value and complex risks](#)), for insights into these strategies. This example does not constitute financial advice. Readers are encouraged to seek professional advice tailored to their unique circumstances.

Want to know more?



Sinéad Mulligan
+44 (0)161 974 3951
+44 (0)7725 579 328
smulligan@tridenttax.com



Edward Ullathorne
+44 (0)2079 522 921
+44 (0)7775 113 562
eullathorne@tridenttax.com

Recognising Possibilities

This document uses AI-generated images by MidJourney.
Registered Office: 25 Bedford Square, London WC1B 3HH
Trident Tax Limited is Registered in England No.6945474. VAT Number 977613869

+44 (0)207 952 2921
admin@tridenttax.com
www.tridenttax.com