



CONTROL POINT
WEALTH

Inheritance Tax for Business Owners: December 2025 update

In the Autumn Budget 2024, the government announced significant reforms to Business Property Relief (BPR), fundamentally changing how much inheritance tax many business owners will pay from 6 April 2026.

In December 2025, under considerable political pressure, the government revised these changes to introduce a new £2.5 million relief allowance and extending spousal exemptions.

What is business property relief (BPR)?

Business property relief is an inheritance tax relief which applies to 'qualifying business assets'¹. It was originally introduced 50 years ago to allow businesses to be passed down free of inheritance tax so the family of the deceased did not have to sell the business.

Key considerations from 6th April 2026

- ▶ On the first £2.5m value of the company (assuming it qualifies for Business Property Relief: see above) a 100% IHT relief allowance will apply.
- ▶ Companies exceeding the £2.5 million allowance will be taxed at a 20% inheritance tax rate.
- ▶ Any unused allowance can be transferred to a spouse or civil partner, giving an effective £5m of exemption allowance with the right planning.
- ▶ The option to pay inheritance tax in up to 10 interest free annual instalments has been offered also.

What should you do?

- ▶ Seek advice to understand the value of your company and the potential IHT liability and consider how this could be funded.
- ▶ Review succession plans and/or opportunities to gift.
- ▶ Review plans to exit/sell your business and whether should these be moved forward to benefit from cheaper BADR/entrepreneur's relief rates.
- ▶ Have an integrated plan that combines both your business and personal ambitions/goals.

This is a shortened version of the full guidance focussed on business owners only, other reliefs/impacts may also be relevant depending on your specific circumstances. Professional advice should be sought to understand both the legal and tax implications of your specific situation

¹[Business Asset Disposal Relief: Eligibility - GOV.UK](https://www.gov.uk/guidance/business-asset-disposal-relief-eligibility)