



SUCCESSION
WEALTH

YOUR GUIDE

Agricultural Property Relief

Planning ahead to protect the value of agricultural land and property



Before you read.

A note on complexity and advice.

Agricultural Property Relief (APR) is a long-standing inheritance tax relief with specific eligibility criteria.

The rules are complex and depend on factors such as ownership, occupation, and how land and buildings are used. Relief applies to agricultural value rather than market value, and eligibility is assessed on a case-by-case basis.

APR is only one element of wider estate planning and relief is not guaranteed. The rules may change over time, and small changes in circumstances can affect eligibility.

This guide is provided for information only and does not constitute financial or tax advice. Professional advice is important to assess suitability and ensure ongoing eligibility.

Readers are encouraged to speak with a financial planner to discuss their individual circumstances and understand whether APR may be relevant as part of a broader estate plan.

Contact details are provided on page 12 if you would like to speak to a financial adviser at Succession Wealth.

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Introduction

Passing on land and property can bring complex challenges, particularly when Inheritance Tax (IHT) is involved.

For farming families and rural landowners who perhaps have significant property wealth but limited cash flow, there's also the risk that land or buildings may need to be sold to cover the tax bill.

This is where Agricultural Property Relief (APR), also known as "Agricultural Property Relief", can make a significant difference.

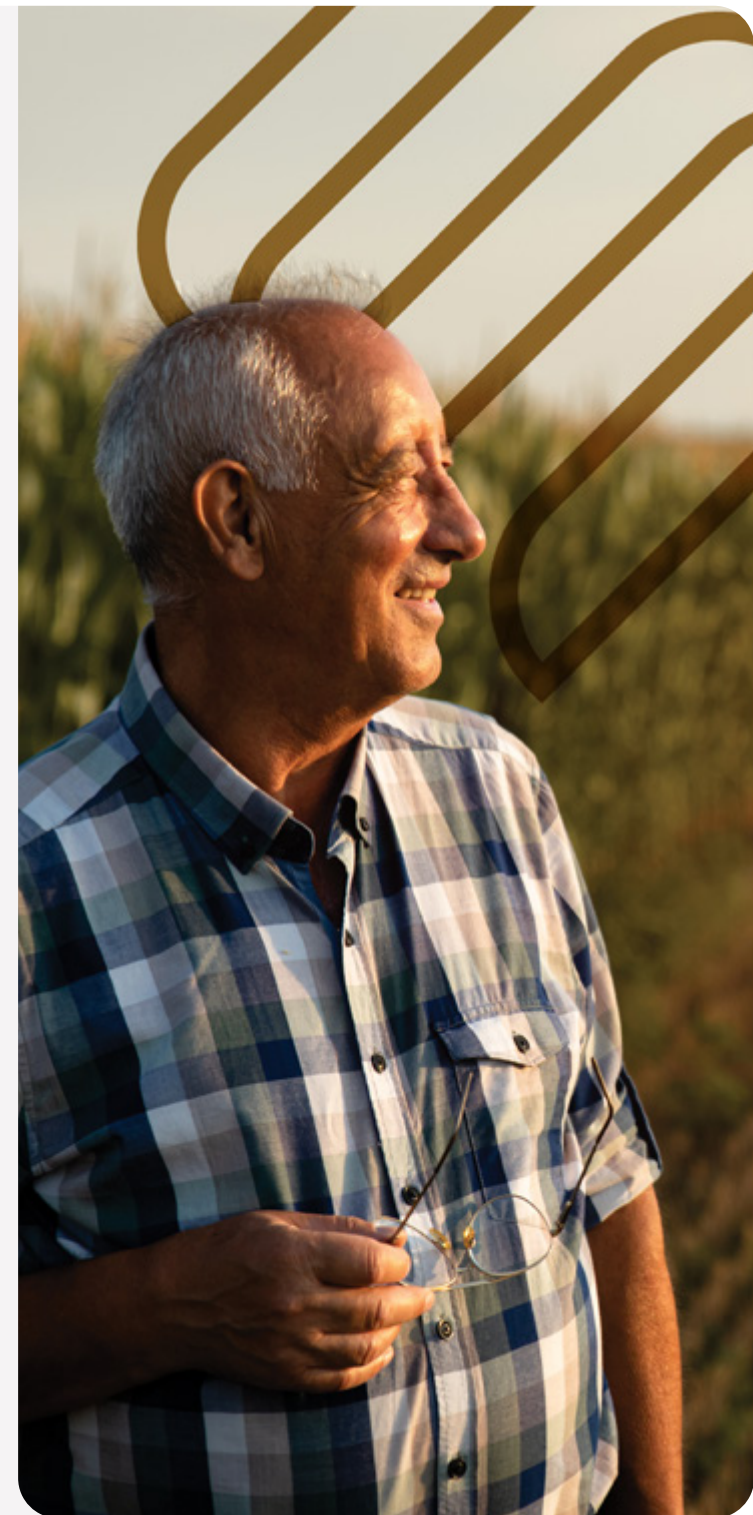
APR allows you to pass on certain properties with either a 100% or a 50% IHT reduction. This helps to protect farms and farmland from being broken up to pay tax bills.

APR has been in place for many years, but it's far from simple. The rules around ownership, occupation, and agricultural value are complex, and the relief rates are set to change in April 2026.

So, read on to find out everything you need to know about APR.

In this guide, we will take you step-by-step through:

- An overview of APR, its history, and how it currently works
- What the upcoming changes entail
- Some common pitfalls to watch out for
- How to claim APR on an estate
- How APR can fit into your wider estate plan
- How a financial planner can help at every stage of the process



What is Agricultural Property Relief?

APR is an IHT relief on the “agricultural value” of farmland, farmhouses, and certain other types of agricultural property. Its purpose is to ensure that farms can pass between generations without being forced to sell land to pay IHT.

The relief is either 100% or 50%, depending on the type of property being transferred. While it is typically used by farmers or landowners, APR can also be useful for investors seeking to mitigate IHT on their estate.

A short history of Agricultural Property Relief

Before APR existed, family farms often faced significant tax bills on death, and many were forced to sell their land and break up multigenerational businesses.

APR was introduced to help preserve such businesses and ensure they didn't have to sell property to cover IHT bills.

Early versions of APR date back to the Finance Act 1975, but it first came into its modern form in the Inheritance Tax Act 1984.

What is “agricultural value”?

It's important to note that APR is not offered at the market value of the asset; rather, it is at the agricultural value.

The agricultural value of land is based solely on its farming potential, assuming it's restricted to agricultural use, and doesn't include its development potential. Instead, it's based on factors such as the soil quality, climate, water access, and location, and can also include things like crops and manure.

When it comes to the agricultural value of a farmhouse or cottage, it depends on the property's use, condition, and connection to the farm. HMRC assesses each case individually.



How Agricultural Property Relief currently works

Your beneficiaries can claim APR on eligible assets provided you owned the property, and it was used and occupied for agricultural purposes for at least:

- Two years before your death, if you, a company you controlled, or your spouse or civil partner occupied it
- Seven years before your death, if it was occupied by someone else

In many common situations, APR is available at 100% of the agricultural value. This typically includes:

- Land you owned and farmed yourself
- Land used by someone else on a short-term grazing licence
- Land you let on a qualifying farm tenancy that began on or after 1 September 1995
- Certain older tenancy arrangements and interests that fall within the rules of the Finance Act 1975

If you have assets that are eligible but don't meet any of the above requirements, the relief may be 50% rather than 100%.

There is currently no upper limit on the value of assets that can qualify for 100% APR.



What qualifies for Agricultural Property Relief?

Property that qualifies for APR broadly includes land used for:

- Growing crops
- Rearing animals
- Planting and harvesting trees at least every 10 years (short-rotation coppice)

It also includes:

- Land not currently being farmed under the Habitat Scheme
- Land not currently being farmed under a crop rotation scheme
- The value of the milk quota associated with the land
- Some agricultural shares and securities
- Farm buildings, farm cottages, and farmhouses



What doesn't qualify for Agricultural Property Relief

Some agricultural property doesn't qualify for APR, including:

- Farm equipment and machinery
- Derelict buildings
- Harvested crops
- Livestock
- Property subject to a binding contract for sale

Qualifying farmhouses and cottages can be complex

The APR qualification criteria for a farmhouse or cottage on the land have been much debated over the years.

The government guidelines are that:

"Buildings must be of a nature and size appropriate to the farming activity that is taking place."

The building must be occupied for agricultural purposes and by someone who is either:

- A working farmer
- An agricultural worker
- A retired farmer or farm worker
- The surviving spouse or civil partner of someone who farmed the land

If the occupant is an agricultural employee, they will typically occupy the property as either a:

- Tenant under a lease granted as part of their former employment contract
- Protected tenant with statutory rights

As with other qualifying assets, APR is applied to the agricultural value of farmhouses and cottages and not the market or development value.

Agricultural Property Relief is set to change from April 2026

The government announced wide-ranging IHT reforms in the 2024 Autumn Budget, along with further updates in 2025, and the changes to APR are set to come into effect from **6 April 2026**.

Here are the key changes and what they could mean for you.

£2.5 million allowance for the full 100% relief

Under the current rules, there is no upper limit on the value of assets that can qualify for APR.

However, from April 2026, you will have a £2.5 million limit on the assets that qualify for 100% APR and Business Property Relief (BPR) combined. You can read more about BPR in our guide on the topic.

Assets over that threshold will still receive 50% IHT relief. This means they will be charged an effective rate of 20% as the standard IHT rate is 40%.

Any unused amount of the £2.5 million allowance can be transferred to a surviving spouse or civil partner. This rule was updated in the 2025 Autumn Budget, as before that, allowances were set to be untransferable. So, with the right planning, you and your partner can have a collective total of £5 million of property that can qualify for 100% APR. Anything over that will receive 50%.

Common pitfalls surrounding Agricultural Property Relief

To benefit from APR, certain conditions must be met. Failure to meet them can affect eligibility, which could mean your beneficiaries are left with a higher IHT bill.

So, watch out for these common pitfalls:

- Misunderstanding what qualifies as agricultural property
- Not meeting the minimum time period requirements for ownership and occupation
- Valuing the property at market value rather than agricultural value
- Not factoring in the new limits to BPR and APR combined

How to claim Agricultural Property Relief

APR doesn't apply automatically, so you need to claim it when dealing with the estate. The executor usually does this with support from a solicitor or an adviser.

Begin by reviewing the estate's assets to determine if any land or property qualifies. If it's unclear if they'll qualify or whether they'll be eligible for 50% or 100% relief, a financial planner can help you confirm.

If the assets look eligible, you'll need to arrange a valuation of the agricultural value as of the date of death. A specialist valuer will usually provide a report that separates the market and agricultural values clearly.

You can then make the claim as part of the IHT return.

The estate as a whole is reported on the IHT400 form, and the agricultural land and buildings are on the IHT414, which is where you formally claim APR.

You normally have to include supporting evidence such as valuation reports, details of how the land was farmed, ownership history, and any tenancy or licence agreements.

Once you submit the forms, HMRC will review the claim. They may ask you for additional information to confirm that the land qualifies and that you've claimed the correct rate of relief.

If HMRC agrees, APR will reduce the taxable value of the estate. If you've already paid IHT, it will be refunded once the relief is confirmed.





How Agricultural Property Relief can fit into your wider estate plan

If you qualify for APR, remember that it's just one part of your estate plan, so it's a good idea to use it alongside other strategies to help preserve your estate for your beneficiaries.

For example, making full use of your nil-rate bands is the simplest way to mitigate IHT on your estate. When combined with other strategies, this can significantly reduce the amount of your estate liable for IHT.

For the 2025/26 tax year, the allowances are:

- **£325,000 for the standard nil-rate band** – Everyone is entitled to this, and it applies to the total value of your estate
- **£175,000 for the residence nil-rate band (RNRB)** – This is available if you leave your main home to a direct descendant, such as a child or grandchild. However, it tapers for estates worth more than £2 million, meaning it's lost once your estate exceeds £2.35 million

So, the standard nil-rate band and the RNRB can allow an individual estate to pass on up to £500,000 before IHT is due.

But married couples and civil partners can pass on their estates to one another IHT-free and can combine their unused IHT, BPR, and APR allowances.

This means a couple can collectively pass on up to £6 million IHT free. This comes from combining their:

- £500,000 nil-rate band allowances to a collective £1 million
- £2.5 million BPR and APR allowances to a collective £5 million

So, with the right planning, you and your partner could pass on up to £6 million without paying IHT.

Maximum amount	Maximum amount	Who is eligible	Conditions
Nil-rate band	£325,000	Everyone.	Applies to the total value of your estate.
Residence nil-rate band	£175,000	Homeowners leaving their main residence to direct descendants.	If your estate is worth over £2 million, it tapers by £1 for every £2 over.
Agricultural Property Relief and Business Property Relief	£2.5 million for 100% IHT relief	Anyone with qualifying assets.	Any combined qualifying assets over the limit will receive 50% relief.

Other estate planning strategies that can help ensure more of your legacy is passed onto your beneficiaries include:

- Putting assets in trust
- Giving gifts while you're alive
- Taking out life insurance and putting it in trust

A financial planner can help you build an estate plan that combines multiple strategies that help ensure more of your wealth is passed efficiently to your beneficiaries.



How a financial planner can help with your Agricultural Property Relief planning

APR can play a significant role in mitigating IHT, but it's not always straightforward.

A financial planner can help you and your family at every stage of estate planning, including investing in and making claims for APR.

They can assess whether APR is appropriate to your wider situation, if your assets will qualify, and how it fits in alongside other allowances and reliefs. This includes reviewing how your land and buildings are used and owned, and whether other reliefs, such as BPR, might also be useful.

Your planner can then work with other professionals, including valuers, accountants, and solicitors, to make sure your arrangements are compliant and meet HMRC's requirements.

Over time, they can also help you monitor your position so that any changes, such as letting property, retiring, or developing buildings, don't put your eligibility at risk.


After you die, your financial planner can then support your executor or solicitor by helping gather the necessary information and documentation. This can help make the probate process smoother and reduce the risk of delays or challenges from HMRC.


Beyond the technical details, a planner can also help mediate conversations with your family about financial matters and issues relating to succession.

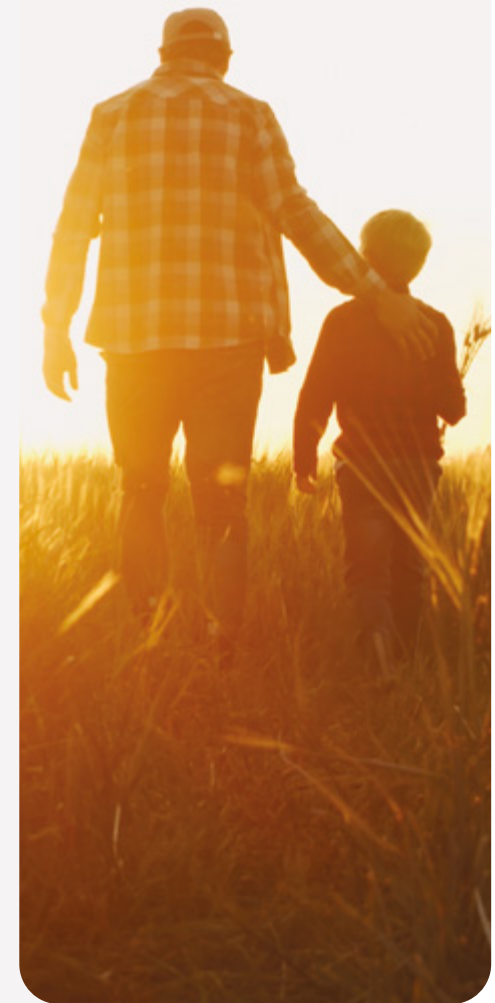
By ensuring everyone understands how APR works, you can help protect both the land and the legacy you intend to pass on.

If you'd like to explore how APR could fit into your estate plan, get in touch.

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Please note

This guide is for general information only and does not constitute advice. The information is aimed at retail clients only. The Financial Conduct Authority does not regulate advice on taxation, Trusts, Estate Planning, or Will writing.

The content was accurate at the time of writing, changes in circumstances, regulation and legislation after the time of publication may impact on the accuracy of the guide.

This information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change and tax implications will be based on your individual circumstances.

You should seek legal advice to ensure that your Will reflects your wishes and is legally binding.

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