



SUCCESSION
WEALTH

YOUR GUIDE

Business Property Relief

Protecting the value of your business for the next generation



Before you read.

A note on complexity and advice.

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

The rules are complex, can change over time, and relief is not guaranteed. Eligibility depends on factors such as the type of business or asset, ownership structure, and how the business operates.

BPR is only one element of wider estate planning and may involve higher levels of investment risk in some circumstances. It may not be suitable for everyone.

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

Your capital is at risk. You may not get back as much as you put in and in the worst-case scenario you could lose all of your capital.

Full details of the specific risks applicable would be discussed and agreed prior to any recommendation or investment being made.

BPR & Enterprise Investment Schemes (EIS) schemes and other esoteric structures can invest in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect should you decide to sell the investment.

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

Contact details are provided on page 13 if you would like to speak to a financial adviser at Succession Wealth.

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Introduction

For many people, one of their biggest financial concerns is ensuring their loved ones will still be supported after they've gone. That's why estate planning is such an important part of your wider financial plan.

A well-structured estate plan can help mitigate Inheritance Tax (IHT) and protect more of your wealth for future generations. IHT receipts have reached record highs in the last four tax years, totalling £8.25 billion in 2024/25.

So, with more estates falling into the IHT net, it's becoming increasingly important to understand the available reliefs and how you can use them effectively.

One valuable tool in this process is Business Property Relief (BPR), also known as "Business Property Relief". BPR can lower the taxable value of a business or its assets when working out how much IHT has to be paid.

It's a long-standing tax relief, and it remains to this day. However, the rules for BPR, together with another IHT relief - Agricultural Property Relief - are due to change significantly from **6 April 2026**. Among other things, these currently unlimited reliefs will be subject to a £2.5 million allowance for the value of property that can benefit from 100% relief.

This allowance will renew every seven years and be shared between agricultural and business property, where relevant.

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

- An overview of BPR, its history, and how it currently works
- What the upcoming changes entail
- Some common pitfalls to watch out for
- How BPR can fit into your wider estate plan
- How to claim it if any assets you've inherited are eligible
- How a financial planner can help at every stage of the process



What is Business Property Relief?

Business Property Relief (BPR) can significantly reduce inheritance tax (IHT) payable when a person dies, or in some instances, when a person gifts assets to another person or to a trust during their lifetime.

While it is typically used by business owners, BPR can also be valuable for investors who hold shares in qualifying companies, allowing them to benefit from potential IHT relief without running a business themselves.

A short history of Business Property Relief

BPR has been a key part of IHT legislation since its introduction in 1976. It was originally designed to prevent families from having to sell their businesses or business-owned property to cover IHT bills when the owner passed away.

Over time, the rules evolved, and the relief was broadened beyond family-owned businesses to include a wider range of business assets.

The government later further expanded the scope of BPR to cover certain shares listed on the Alternative Investment Market (AIM) as well as Enterprise Investment Schemes (EIS). This opened up new estate planning opportunities for investors and business owners alike.

What is the Alternative Investment Market?

AIM is a market within the London Stock Exchange. It was established in 1995 to help smaller companies raise capital.

AIM-listed businesses can offer higher growth potential, but they also come with greater risk and volatility.

Certain shares listed on the AIM can qualify for 100% BPR, provided they meet other requirements.

What is the Enterprise Investment Scheme?

The EIS was introduced in 1994 to encourage investment in small, early-stage companies that might otherwise struggle to raise finance.

It offers a range of generous tax reliefs designed to reward investors for taking on higher risk.

The EIS is separate from the AIM, though some EIS are listed on the AIM. Most EIS shares also qualify for 100% BPR.



How Business Property Relief currently works

Under the current system, your beneficiaries can claim BPR on eligible assets in a qualifying company, provided you:

- **Held them for at least two years before you died**
- **Still held them at the time of your death**

That's a considerably shorter timeframe than other popular IHT planning tools, which can take up to seven years before benefiting from full IHT relief.

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



You can claim 100% BPR on:

- A business or interest in a business
- Shares in an unlisted company, including those listed on the AIM
- EIS

You can claim 50% BPR on:

- Shares controlling more than 50% of the voting rights in a listed company
- Land, buildings, or machinery owned by the deceased and used in a business they were a partner in or controlled
- Land, buildings, or machinery used in the business and held in a trust that it has the right to benefit from



You can't claim BPR if the company:

- Mainly deals with securities, stocks or shares, land or buildings, or in making or holding investments
- Is a not-for-profit organisation
- Is being sold, unless the sale is to a company that will carry on the business and the estate will be paid mainly in shares of that company
- Is being wound up, unless this is part of a process to allow the business of the company to carry on

You can't claim BPR on an asset if it:

- Also qualifies for Agricultural Property Relief
- Wasn't used mainly for business in the two years before it was either passed on as a gift or as part of the will
- Isn't needed for future use in the business

Business Property Relief is set to change from April 2026

The government announced wide-ranging IHT reforms in the 2024 Autumn Budget, and the changes to BPR 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 BPR.

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

For example, let's imagine you have a qualifying business worth £2.9 million, and your wider estate has already made full use of your other IHT allowances. The first £2.5 million will receive 100% IHT relief. The remaining £400,000 will receive 50% IHT relief. This means you'll pay £80,000 of IHT on the business.

Initially, the new allowance was not going to be transferable between partners. However, in the 2025 Autumn Budget, the government adapted the rule and now it will be transferable.

This means that, with careful planning, you and your spouse or civil partner can pass up to £5 million of assets with 100% BPR and APR. It's important to note that this allowance is also applicable to BPR-qualifying assets held in trust. So, any eligible assets you put in trust still count towards your £2.5 million allowance.

Unlisted shares will only be eligible for 50% relief

The current rules allow unlisted companies, including those on the AIM, to qualify for 100% relief.

However, from April 2026 those shares will only qualify for 50% relief, regardless of the £2.5 million allowance.

So, even if the total value is under £2.5 million, if the asset is AIM-listed or otherwise considered unlisted, the BPR rate is 50%.





Important points to consider for Business Property Relief

To benefit from BPR, certain conditions must be met, and even small changes to how a business operates can affect eligibility. So, watch out for these common pitfalls.

- You must have owned the qualifying assets for at least two years before your death
- You must still own the qualifying assets when you die
- The assets must pass the “wholly or mainly trading” test, which means that at least 50% of the business’s activities must come from trading goods or services and not investing
- Businesses that primarily deal with investments, securities, stocks, land, or property generally do not qualify

How Business Property Relief fits into wider estate planning

It's important to remember that BPR is only one component of your estate plan, and that you can use it alongside other tools and strategies.

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 allowances. This means a couple can collectively pass on up to £1 million without paying IHT, before using their BPR and APR allowances.

If you then combine their individual £2.5 million BPR and APR allowances with the nil-rate bands, a couple can pass on up to £6 million free from IHT.



Allowance for an individual	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 full 100% relief	Anyone with qualifying assets.	Any combined qualifying assets over the limit will receive 50% relief.
Combined total (for an individual)	£3 million	Anyone who is eligible for all allowances.	Married couples and civil partners can combine allowances, meaning they can collectively pass on up to £6 million IHT free.

Let's say you and your partner have a combined estate worth £6 million, made up of your main residence and a business valued at £5 million. If your partner passes away and leaves everything to you, and you continue to run or hold the business, you could eventually pass your entire estate on to your beneficiaries free from IHT.

This is because your heirs would benefit from both you and your partner's combined allowances, alongside the tax advantages provided by BPR on the business assets.

Moreover, there are other valuable estate planning strategies that can help ensure more of your legacy is passed onto your beneficiaries, including:

- Putting assets in trust; however, as noted, these can still contribute to your £2.5 million allowance for BPR and APR
- 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, aimed at ensuring more of your wealth is passed efficiently to your beneficiaries.

Read more on page 13

How to claim Business Property Relief

BPR isn't applied automatically, and it has to be claimed as part of the estate administration process. This is usually done by the executor of the will with help from a solicitor.

Here's how the process typically works.

When someone dies, the executor or solicitor first checks whether any of the assets in the estate might qualify for BPR. If it's unclear whether the assets meet the requirements, a financial planner can review it and confirm.

Next, the executor arranges for the business or shares to be valued as of the date of death. If the business is privately owned, this usually involves a professional valuer or accountant, who prepares a formal report. This valuation is important because it determines how much of the estate could be covered by BPR.

The solicitor or executor then prepares the IHT paperwork. BPR is claimed by completing two HMRC forms:

- Form IHT400, which sets out the total value of the estate
- Schedule IHT413, which gives details about the business or shares being claimed under BPR

Alongside these forms, they'll send supporting evidence such as accounts, proof of trading activity, and the valuation report.

Once everything is ready, the executor or solicitor submits the forms to HMRC's IHT department. HMRC reviews the claim and may sometimes ask for extra details to confirm the business qualifies.

If HMRC is satisfied, it will apply BPR to reduce the taxable value of the estate. If tax has already been paid, HMRC will refund any overpayment once the relief is approved.





How a financial planner can help

BPR can be very effective for mitigating IHT, but it's also complex and the upcoming rule changes could affect your standing.

A financial planner can support you and your family at every stage of using BPR for IHT mitigation.

They can assess whether it's a suitable part of your estate plan based on your wider finances. They can explain the difference between options such as AIM and EIS investments or business ownership and help you choose the right approach for your circumstances.

They'll also coordinate with accountants and solicitors to ensure your business or investments meet HMRC's qualifying rules, and they can review it to check that it remains eligible after any reforms.

Then, when you die, your financial planner can work alongside your executor or solicitor to provide the necessary documentation to make the process smoother and confirm the relief is applied correctly.

Beyond the technical process, a planner can also facilitate important family conversations about succession and how best to manage inherited wealth. By helping you and your loved ones understand how BPR works, they can help preserve your legacy for future generations.

If you'd like to discuss how BPR could play a role in 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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