Agricultural property relief and business property relief from inheritance tax: a consultation

Inheritance Tax and trusts



19 May 2025

The CIOT and ATT have both raised concerns about uncertainties and complexities in the proposals to impose a £1 million cap on agricultural and business property that attracts 100% relief from inheritance tax.

The CIOT and ATT have responded to the HMRC technical consultation on ‘Reforms to inheritance tax reliefs: property settled into trust’ (see tinyurl.com/y4p5f5u7).

The consultation was issued on 27 February, following the announcement at October’s Budget that, from 6 April 2026, a new £1 million allowance will apply to the combined value of property that qualifies for 100% business property relief and/or 100% agricultural property relief. After the £1 million allowance has been exhausted, relief will apply at a lower rate of 50% to the combined value of

qualifying agricultural and business property.

Although the consultation was focused on how the £1 million allowance would apply to trusts, both organisations took the opportunity to comment on the wider aspects of the proposals. It is disappointing that the government did not provide any opportunity to discuss or consult on the wider approach to amending or restricting the current reliefs on agricultural and business assets, which will have a significant impact on those affected.

By capping the allowances for individuals and trusts at £1 million, it will become imperative that on every occasion of charge a comprehensive valuation is performed to ascertain how much of the 100% relief allowance has been utilised and how much of the transfer may be subject to 50% relief. This will increase administration costs and time for settlors, estates and trusts. It will also increase costs and time for HMRC in checking those values once submitted.

The decision not to permit the £1 million personal allowance to be transferable between spouses is inconsistent with the operation of both the nil-rate band and the residential nil-rate band. This is particularly unfair when one spouse has died before 30 October 2024.

CIOT response

The ambiguity over how the £1 million trusts allowance operates needs clarification to create a coherent framework. The fundamental questions are: does the allowance refresh every ten years? If it has been allocated to one trust, and that trust ceases to hold relievable property or is terminated entirely, is the allowance re-allocated to other trusts created by the same settlor? Our response explores these aspects in considerable detail.

Although we recognised the need for an anti-fragmentation rule, the difficulty for one set of trustees sharing or obtaining information from another set of trustees should not be underestimated.

There may well be separate trusts established for different branches of the family, particularly in the ever more common context of blended families. It would be sensible to include statutory rights to information, and obligations for its supply.

The proposals add additional complexity to an already complex system. We questioned whether the greater compliance and detailed valuations required from taxpayers and HMRC are justified by the amount of revenue expected to be raised.

We also pointed out that the proposals fail on four out of the five objectives the CIOT has for an effective tax system.

ATT response

Our response focused on the complexity that will arise from the anti-fragmentation rules, which are intended to apply to all trusts from 30 October 2024.

The government has proposed that where a settlor has transferred qualifying agricultural or business property into multiple settlements since the Budget, there will be a **single** £1 million allowance for 100% relief against ongoing relevant property trust charges. While no doubt intended to minimise a loss of tax, the rules will introduce another difference between the operation of the nil-rate band and the £1 million allowance and a significant number of challenges with future planning.

The full CIOT response is available here: www.tax.org.uk/ref1481.

The full ATT response is available here: www.att.org.uk/ref477.

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