



IHT planning

... in a post budget world.



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Where content includes case studies or examples these are for illustration purposes and are not recommending a specific course of action.

Past performance is not a reliable indicator of future performance. The value of an investment can go down as well as up and your client may get back less than they've paid in.

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Learning objectives

By the end of this session, you will be able to:

Assess the impact of the IHT changes in the 2024 Autumn Budget on your clients' financial planning

Describe the fundamental elements of an IHT plan.

Describe the different treatment of reliefs and gifting for IHT planning

Evaluate the pros and cons of using gifting and reliefs in IHT planning

“Wrappers”

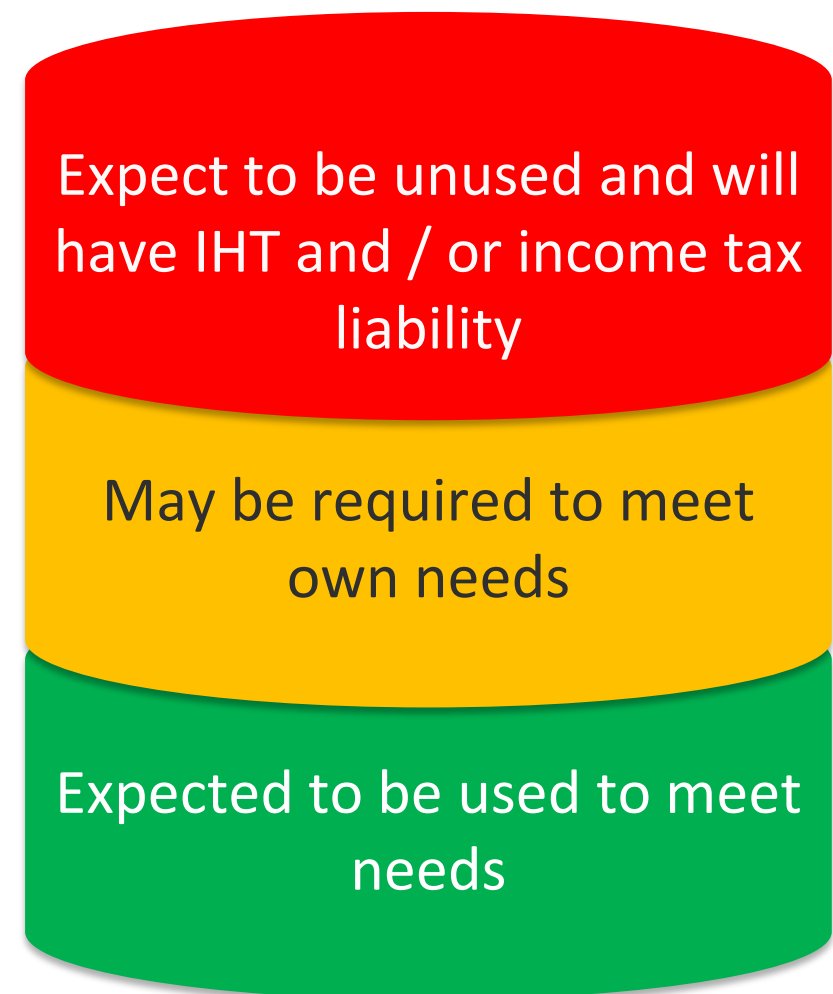
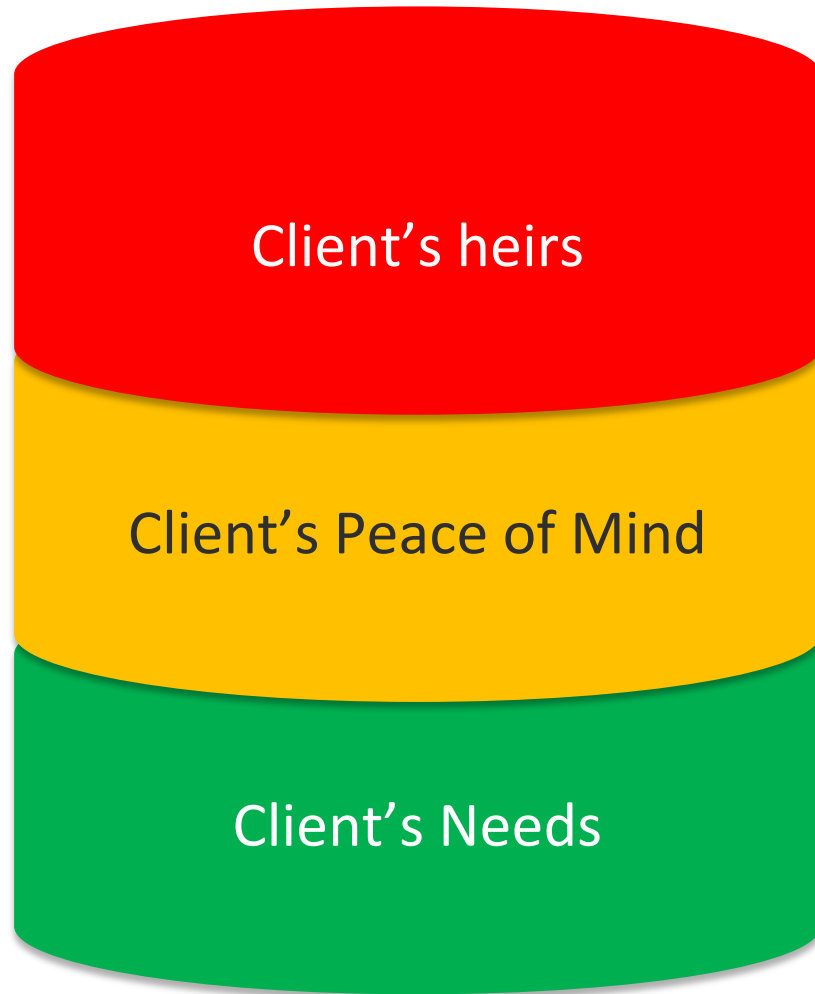


Pensions and ISA taken a hit for intergenerational planning



MORE LEGACY PLANNING

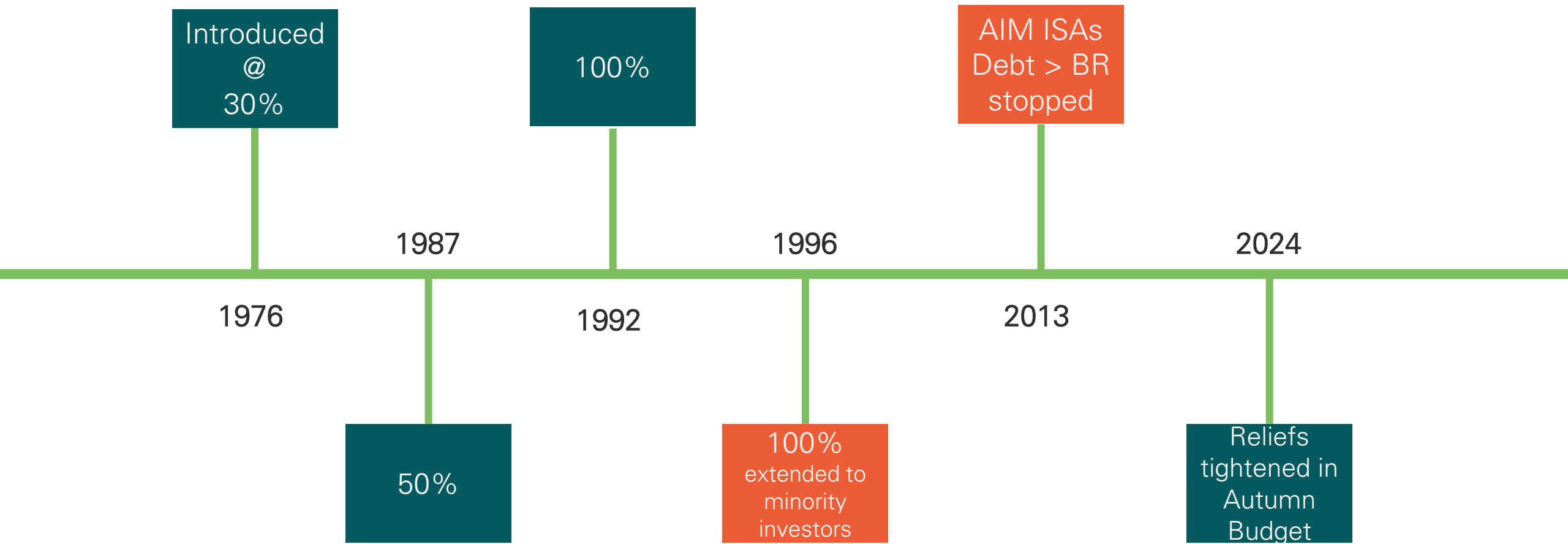
Segmenting your clients assets





Business Relief Matters

Business Relief - history



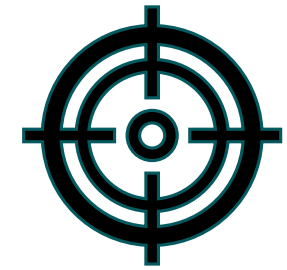
IHT reliefs – wef 6 April 2026



Qualifying Business Assets



Qualifying Agricultural Assets



“AIM Shares”
(quoted but “not listed”)

£1m limit for 100% relief
50% relief for assets over limit

No limit
Relief reduced to 50% for all

Business Relief options



£1,000,000 @ 0% = £0
£500,000 @ 40% = £200,000

£1,000,000 @ 40% = £400,000

Accept? Insure? AIM to Unquoted? Alternate Strategy?

GOV.UK

Home > Money > Personal tax > Inheritance Tax > Reforms to inheritance tax reliefs: consultation on property settled into trust

HM Revenue & Customs

Open consultation

Reforms to Inheritance Tax agricultural property relief and business property relief: application in relation to trusts

Published 27 February 2025

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- 5. Special trusts
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- 8. The consultation process
- Annex A: Case studies
- Annex B: Summary of application of £1 million allowance to trust property

Summary

At Autumn Budget 2024, the government announced several reforms to agricultural property relief and business property relief from Inheritance Tax. In particular:

- a new £1 million allowance will apply to the combined value of property that qualifies for 100% business property relief or 100% agricultural property relief or both – 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
- the rate of business property relief available will be reduced from 100% to 50% in all circumstances for shares admitted to trading on a recognised stock exchange which are not 'listed'

Scope of this consultation

This technical consultation seeks views on aspects of the application of the £1 million allowance for property settled into trust qualifying for 100% agricultural property relief or business property relief.

Who should read this

Trusts

- BR and APR no longer excluded from discretionary trust tax charges
- Operates like NRB
 - failed “PETs”
 - 7 years refresh
- Different rules for different dates
- Anti fragmentation rules
 - periodic charges

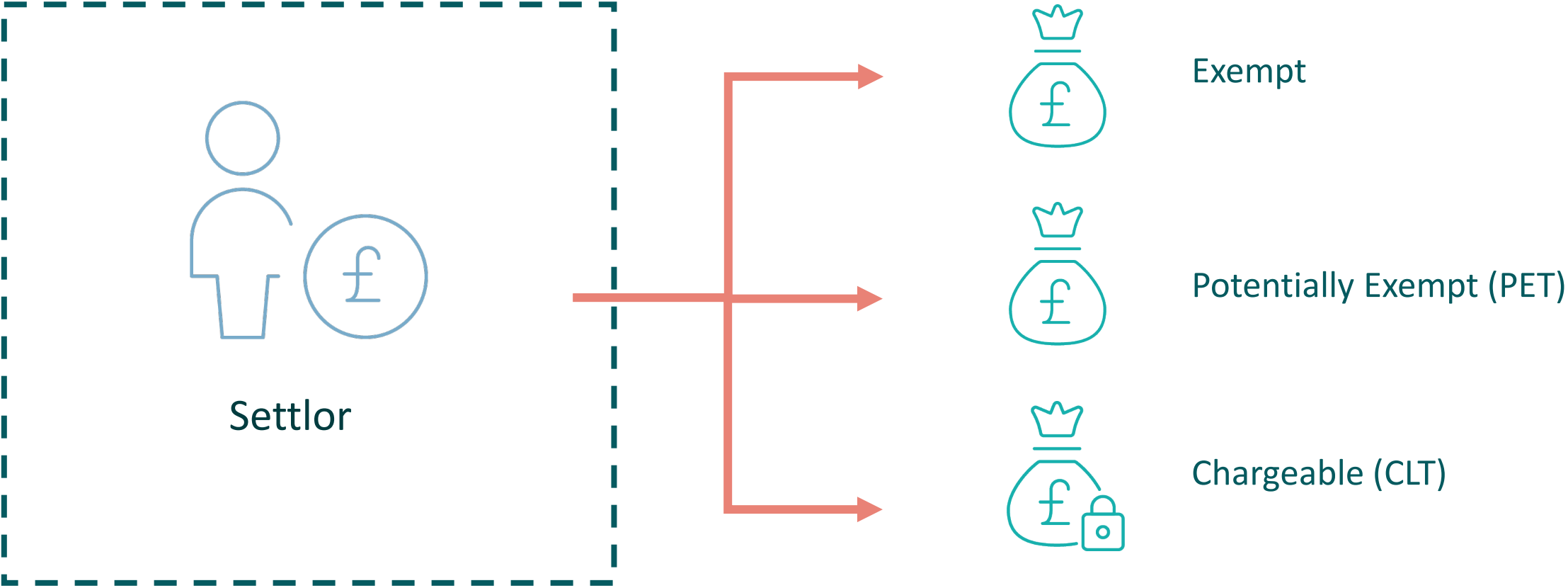
Red money

Scenario	1	2	3	4	5
	Any ISA (no IHT)	Non AIM ISA (IHT)	AIM ISA (50% relief)	Offshore DGT	Beneficiary Pension
Growth	6%	6%	6%	6%	6%
Starting value	£100,000	£100,000	£100,000	£100,000	£100,000
Withdrawal (per annum)	£4,000	£4,000	£4,000	£4,000	£4,000
Death after 10 years					
Closing Value	£126,362	£126,362	£126,362	£126,362	£126,362
Withdrawals	£40,000	£40,000	£40,000	£40,000	£40,000
Income tax	£0	£0	£0	£0	£0
Full withdrawal					
IHT (assume no NRB)	£0	£50,545	£25,272	£0	£50,545
20% Beneficiary Income Tax	£0	£0	£0	£13,272	£15,136
Deductions	£0	£50,545	£25,272	£13,272	£65,681
Net to beneficiary					
Legacy Value	£126,362	£75,817	£101,090	£113,089	£60,654



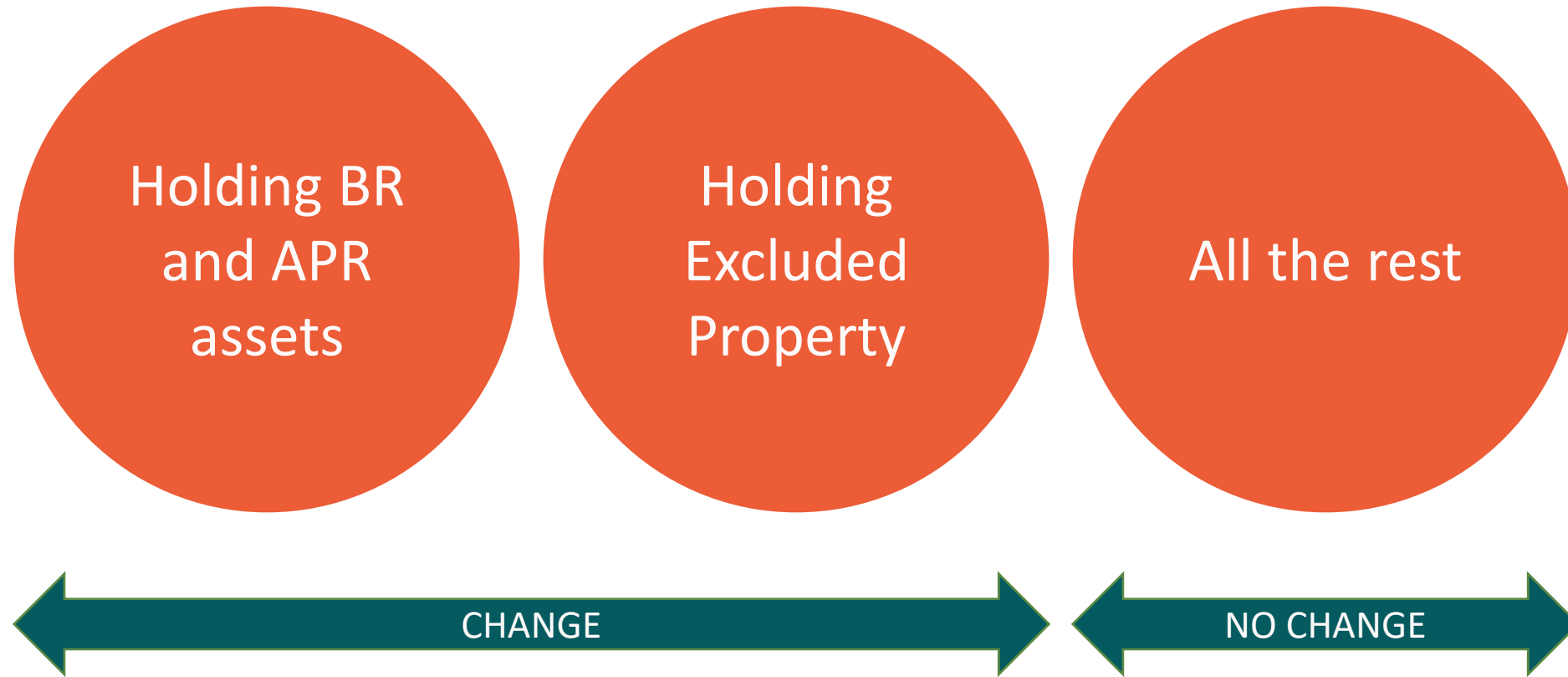
Gifting Matters

Inheritance Tax



Largely as is

Trusts



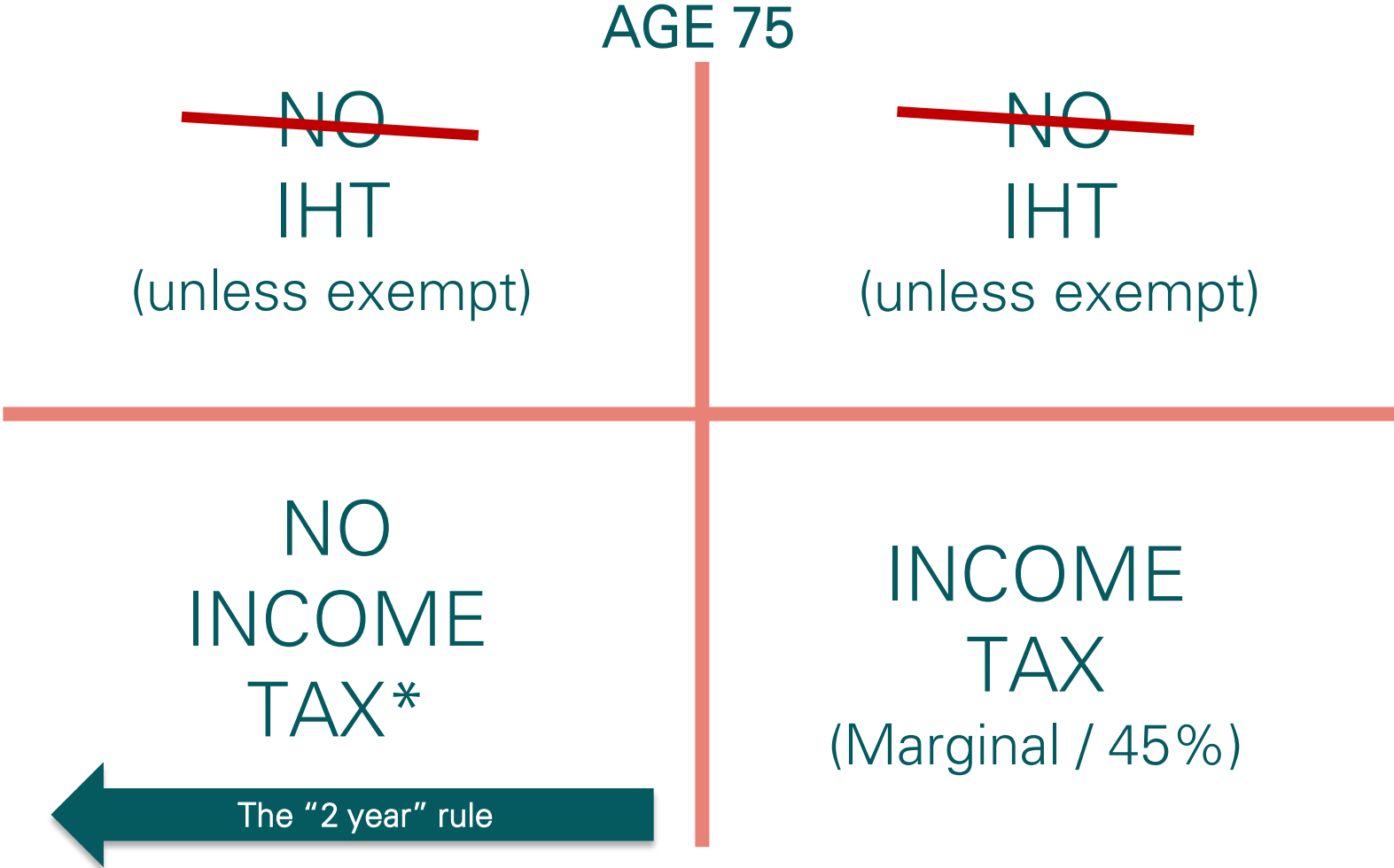


Pension IHT Matters

At Autumn Budget 2024, the government announced several measures to reform Inheritance Tax. This included a measure to bring most unused pension funds and death benefits within the value of a person's estate for Inheritance Tax purposes from 6 April 2027.

As part of these changes, pension scheme administrators (PSAs) will become liable for reporting and paying any Inheritance Tax due on unused pension funds and death benefits.

Where we are after 2027



* DB income is taxable, lump sum benefits subject to LSDBA



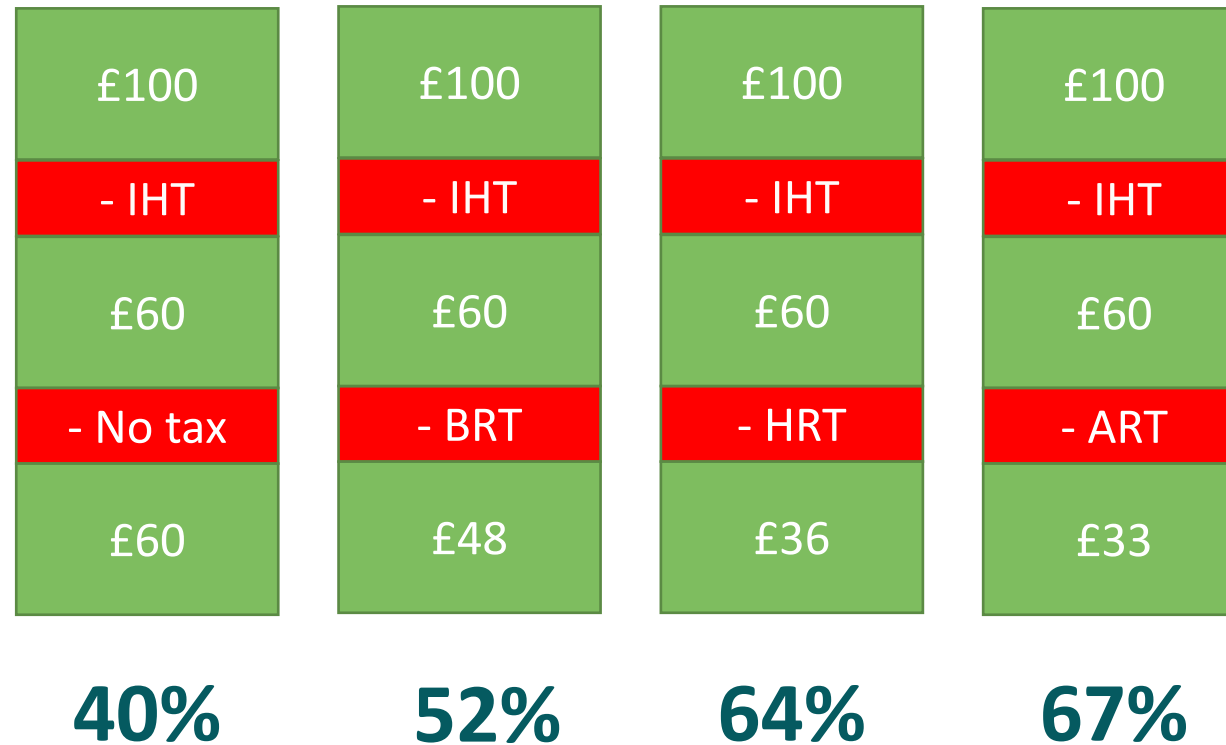
Identify impacted individuals

Pension Funding

Expressions of wish

Moving money

£100 of pension beyond April 2027



40% for pre 75 deaths and non pension assets

Scenario		1	2	3	4	5	6	7
		In pension death pre 75	In pension death post 75	Loan trust	Gift	Exempt Gift	Business relief	In pension death post 75 (no IHT)
Growth		5%	5%	5%	5%	5%	3%	5%
Pension value		£100,000	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000
Death before April 2027 (just under 2 years)								
Gross value		£110,250	£110,250	£110,250	£110,250	£110,250	£106,090	£110,250
IHT (assume no NRB)	40%	£0	£0	£40,000	£40,000	£0	£42,436	£0
Income tax	20%	£0	£22,050	£2,050	£2,050	£2,050	£0	£22,050
Net legacy		£110,250	£88,200	£68,200	£68,200	£108,200	£63,654	£88,200
Death after April 2027 (just over 2 years)								
Gross value		£110,250	£110,250	£110,250	£110,250	£110,250	£106,090	£110,250
IHT (assume no NRB)	40%	£44,100	£44,100	£40,000	£40,000	£0	£0	£0
Income tax	20%	£0	£13,230	£2,050	£2,050	£2,050	£0	£22,050
Net legacy		£66,150	£52,920	£68,200	£68,200	£108,200	£106,090	£88,200
Death after April 2032 (just over 7 years)								
Gross value		£140,710	£140,710	£140,710	£140,710	£140,710	£122,987	£140,710
IHT (assume no NRB)	40%	£56,284	£56,284	£40,000	£0	£0	£0	£0
Income tax	20%	£0	£16,885	£8,142	£8,142	£8,142	£0	£28,142
Net legacy		£84,426	£67,541	£92,568	£132,568	£132,568	£122,987	£112,568

Planning
matters



IHT calculation



$$\begin{aligned} &\text{Net Estate (after liabilities)} \\ &+ \\ &\text{settled property}^* \\ &+ \\ &\text{Lifetime gifts within 7 years of death} \\ &- \\ &\text{Exemptions} \\ &- \\ &\text{Reliefs} \\ &- \\ &\text{Available RNRB(s)} \\ &- \\ &\text{Available NRB (s)} \end{aligned}$$

* where there is settled property and tax due the bill is proportioned between the estate and the settlement

The plan

DOV

WILLS
RNRB & NRB

RNRB
Tapering

PENSIONS
Apportioning
April 2027

NIL RATE BANDS

IHT planning



RELIEVE

INSURE

GIFT

SPEND

NIL RATE BANDS

IHT is a tax on gifts



More mitigation options



1st death or 2nd death

When to gift?

IHT planning hasn't changed



Access

Your
client

Their
beneficiaries



Control

Owning
directly

"Trusteeship"



Tax

It follows!

KYC



Insurance?

Good...

- Simple?
- Keep access to whole estate
- Liquidity on death (if in trust)



Only
practical
option?

Not so good...

- Does not reduce IHT
- Cost
- Trust required – complexity
- Lapse risk?

Are you happy not reducing your IHT liability?

Business Relief or Gift

5 things you need to consider



ACCESS

FLEXIBILITY

INVESTMENT
ISSUES

LEGISLATION

TIMELINE

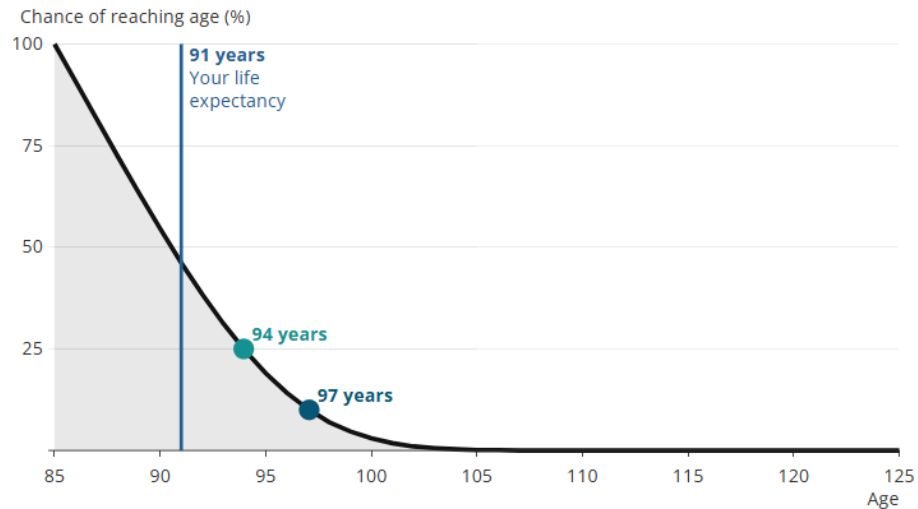
They've left it too late

Age Sex

Calculate your life expectancy

Your average life expectancy is
91 years

However there's a chance you might live longer...

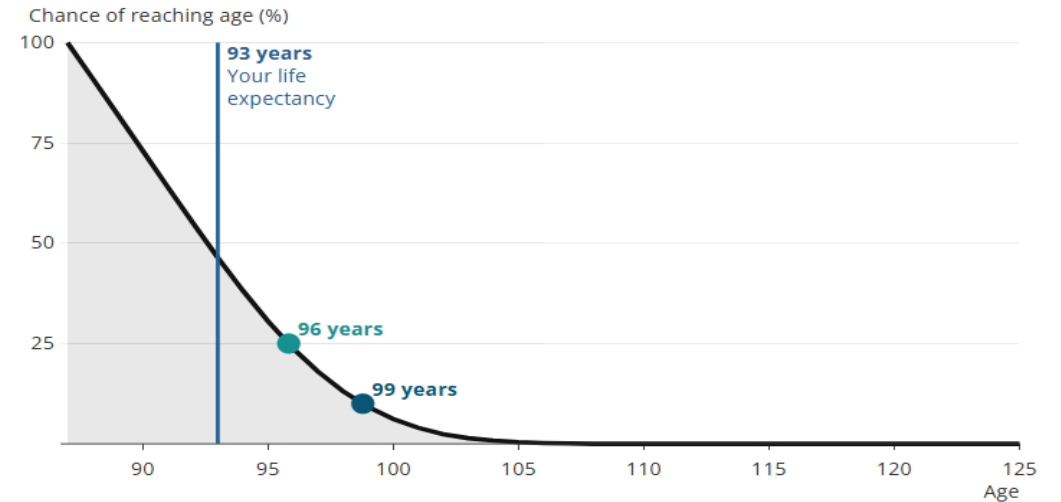


Age Sex

Calculate your life expectancy

Your average life expectancy is
93 years

However there's a chance you might live longer...



2 years and hope might be the only chance they have?

Access

	Business Relief	Discretionary Trust	Absolute Trust	Outright gift
Client	Yes	Dependent on type (None, Capital or Reg Payment)	Dependent on type (None, Capital or Reg Payment)	None
Beneficiary	Gift required (may be a failed PET)	Trust distribution (maybe restricted - DGT or Loan)	Trust distribution (maybe restricted - DGT or Loan)	Complete (once 18, or 57?)

How much money do they need to be available for beneficiaries immediate spend?

Flexibility

	Business Relief	Discretionary Trust	Absolute Trust	Outright gift
Investment	None (unless change provider)	Full (fund switching available)	Full (fund switching available)	Full (fund switching available)
Beneficiaries	Full (distributed by will)	Full (wide beneficiary class)	None (beneficiary selected at outset)	None (beneficiary selected at outset)

Are you certain on who the beneficiaries are to be?

Investment

	Business Relief	Discretionary Trust	Absolute Trust	Outright gift
Diversification	Limited Asset Classes (split between providers?)	Full (wide investment universe)	Full (wide investment universe)	Full (wide investment universe)
Liquidity	Varies (dependent on asset)	Full (subject to suspension)	Full (subject to suspension)	Full (subject to suspension)

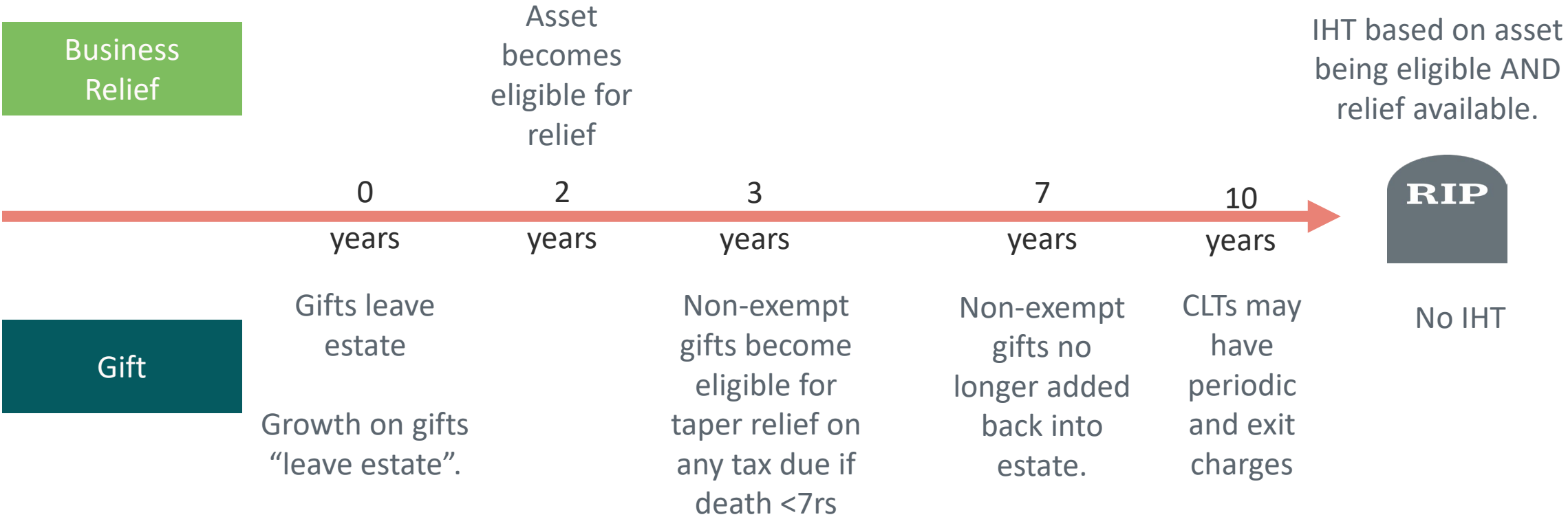
Would you recommend it if there was no IHT liability?

Legislation

	Business Relief	Discretionary Trust	Absolute Trust	Outright gift
Risk	<p>Claimed on gifting/death</p> <p>Relief may change</p>	<p>No change to gift treatment (retrospection unlikely)</p> <p>Potential for change in trust (periodic/exit charges)</p> <p>DGT/NEOOI claimed on death</p>	<p>No change to gift treatment (retrospection unlikely)</p> <p>DGT/NEOOI claimed on death</p>	<p>No change to gift treatment (retrospection unlikely)</p> <p>NEOOI claimed on death</p>

If the client was expected to live for over 7 years would you use business relief?

Timeline - Reliefs v gifting

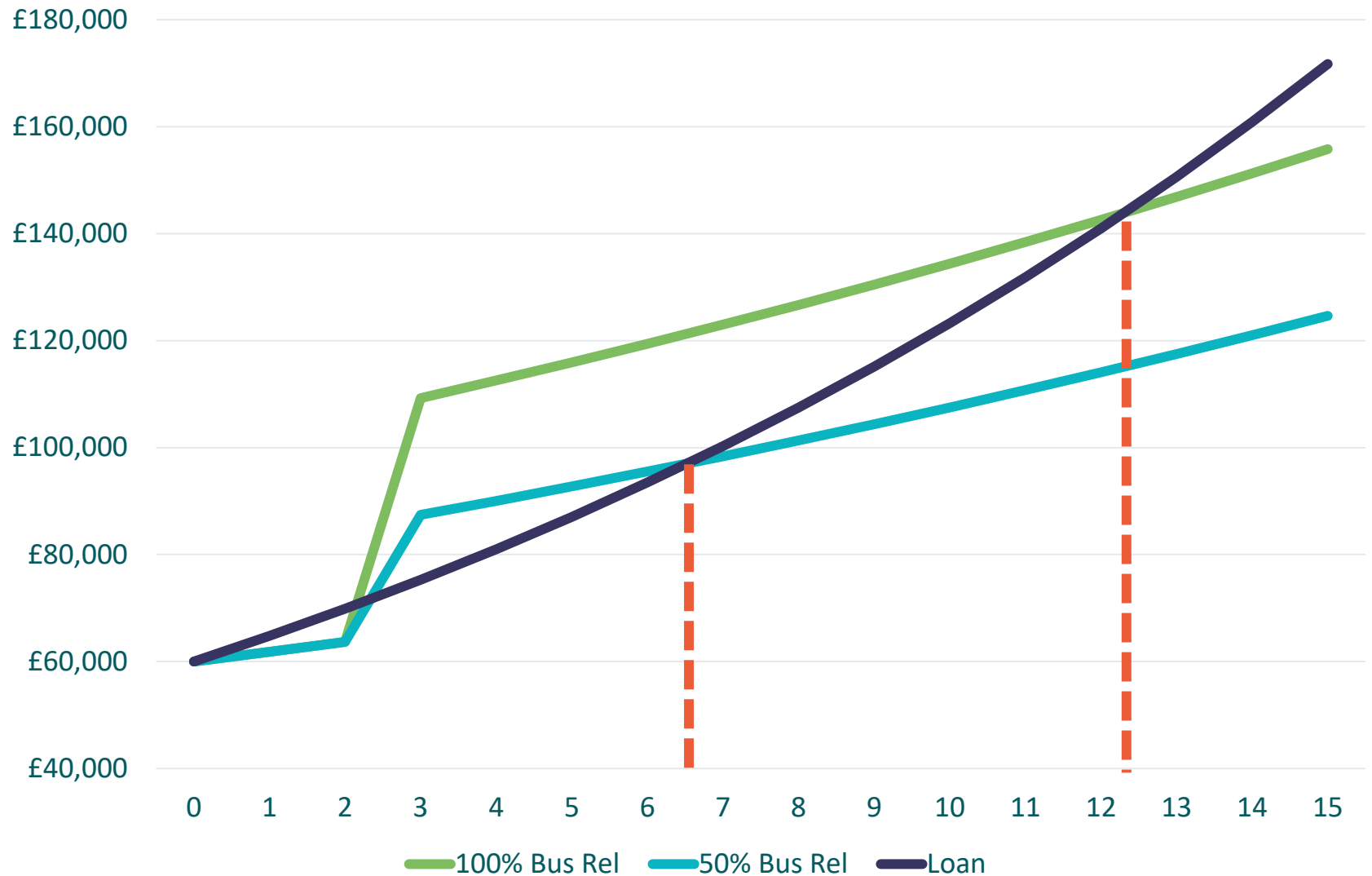


At what point are the downsides not worth the potential for failed planning?

Business Relief 3% v Loan Trust 6%

£100,000 invested

- 20% tax on bond gain
- No tax on BR
- 40% IHT on Loan
- 50% IHT relief on BR
- 100% IHT relief on BR



Should you let the tax tail wag the investment dog?

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Please complete the feedback
form



Thank you for your time

Get in touch with your usual M&G contact if you need further help

