A CHAPTER3 GUIDE

Business Owners and *Inheritance Tax*.

What changed in April 2026 — and why business value, ownership and a future sale now need to be planned together.

A practical guide to understanding the potential liability and the decisions that deserve review.

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A valuable business can now create an *Inheritance Tax bill*.

From 6 April 2026, the value of qualifying agricultural and business property that can receive 100% relief is limited.

100% Business Relief is now limited to

£2.5 million per person

Where unused allowance transfers between spouses or civil partners, a couple may have up to

£5 million of 100% relief

Qualifying value above the available allowance normally receives 50% relief. At the standard 40% IHT rate, that means the excess can face an effective tax rate of up to

20%

...before considering exemptions, ordinary nil-rate bands and the rest of the estate.

What has not changed

Business Relief remains extremely valuable. The business still needs to qualify, and the precise result depends on the type of business, the assets and activities within it, who owns the shares, what happens on the first death, and whether the business is retained or sold.

Business Relief has not disappeared. The planning mistake is assuming that a successful trading company still makes the whole estate problem vanish.

A £6 million business owned by *a married couple*.

What could the new limit mean?

Sarah and David each own half of a qualifying trading company worth £6 million. Assume both shareholdings qualify, neither allowance has previously been used, the first spouse's unused allowance transfers to the survivor, the business remains in the estate on the second death, and other estate assets and ordinary nil-rate bands are ignored so that the Business Relief calculation can be seen clearly.

CALCULATION	AMOUNT
Combined 100% Business Relief allowance	£5,000,000
Qualifying business value above the allowance	£1,000,000
Value remaining after 50% relief	£500,000
Potential Inheritance Tax at 40%	**£200,000**

The calculation is relatively simple. The practical questions are harder:

- Will the company still qualify when the second death occurs?
- Do the share ownership and wills support the intended outcome?
- Where would the £200,000 come from?
- What happens if the business is sold first?
- Does the surviving spouse need the income or control?

The business value is not the same as cash available to pay the bill.

Simplified illustration only. It assumes the company and shareholdings qualify and ignores ordinary nil-rate bands, exemptions and other estate assets. The actual position depends on the business, owners, wills and tax rules applying at the time.

Relief only applies to *qualifying value*.

Not every pound on the company balance sheet necessarily receives the same treatment.

Business Relief can apply to a qualifying trading business or shares in a qualifying trading company. The detailed result depends on what the company actually does and what its assets are being used for.

Trading activity

A genuine trading business may qualify. A company mainly holding investments, property or other non-trading assets may not.

Operating cash

Cash required for payroll, suppliers, tax and the normal trading cycle may have a clear business purpose.

Deliberate reserves

Money held for a credible acquisition, expansion, investment or identifiable business risk may also have a documented commercial purpose.

Surplus and non-trading assets

Cash, investments or property that are not required for the business may be excluded from relief or contribute to a wider challenge over the company's activities.

This does not mean every surplus pound should immediately leave the company. It means the purpose should be **understood**, **documented**, and **reviewed** as the balance grows.

> **A Companies House description does not determine whether the business qualifies. The actual activities, assets and commercial purpose matter.**

A transferable allowance helps. But only where *the family structure supports it*.

Unused 100% Business Relief allowance may transfer between spouses or civil partners. That does not mean every couple will automatically receive the intended result.

i. **Who owns the business?**

A business may be owned entirely by one spouse, jointly, through different share classes or alongside other family members.

ii. **What happens on the first death?**

The surviving spouse may need:

- income;
- voting control;
- flexibility;
- protection from commercial or family risk.

iii. **What do the wills say?**

The wills and shareholder arrangements need to work together. An outdated will can undermine an otherwise sensible business and estate plan.

iv. **What happens if the survivor sells?**

A business that previously qualified for relief may become cash and investments within the survivor's estate.

v. **Is lifetime gifting appropriate?**

Gifting shares may sometimes form part of the plan. It also changes control and ownership and can create Capital Gains Tax, commercial and family consequences.

> **Moving shares or changing ownership is not an administrative tidy-up. It is a business, family, legal and tax decision.**

Business Relief may reduce the tax on the business. *It does not usually follow the sale proceeds.*

BEFORE A SALE

Planning focuses on

- whether the company and shares qualify;
- current business value;
- share ownership;
- surplus cash and other assets;
- the available 100% allowance;
- succession and family objectives.

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DURING A SALE

The timetable narrows options

The transaction timetable can reduce the options available. The personal estate plan should be reviewed before the structure becomes irreversible. Deferred payments, retained shares and the timing of completion may all affect the household plan.

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AFTER A SALE

The estate now holds cash

- lifetime spending;
- investment structure;
- gifting;
- trusts where appropriate;
- life insurance;
- the ownership of family wealth;
- funding any eventual IHT.

> **The worst sequence is to assume the business is protected, sell it, and only then discover that the proceeds have created a much larger taxable estate.**

Paying the eventual tax

Inheritance Tax attributable to qualifying business property can generally be spread over ten annual interest-free instalments, subject to the rules. That helps with timing. It does not remove the need for a funding plan.

Five questions *to answer*.

The calculation is only the beginning.

ONE *What is the business worth now?*
Use a realistic current estimate rather than the price the owner hopes to receive one day.

TWO *How much of the value is likely to qualify?*
Review the company's trading activity, ownership, cash, investments, property and other assets with the accountant or tax adviser.

THREE *What happens on both deaths?*
Model the first death, the second death, transferred allowance, spouse or civil-partner needs, wills and share ownership.

FOUR *How would any tax be paid?*
Consider whether the family or company could fund the liability without damaging the business, forcing an unsuitable sale, or leaving beneficiaries with an avoidable cashflow problem. Life insurance may sometimes help fund the liability, but it does not correct weak ownership, outdated wills or a business that does not qualify.

FIVE *What happens if the business is sold?*
Show how the estate and Inheritance Tax exposure change if the family receives cash or investments instead of qualifying business shares.

How Chapter3 helps

Chapter3 brings these questions into the owner's wider financial plan. The work is coordinated with the company accountant, solicitor, tax adviser, insurance specialists, and corporate-finance advisers where a sale is being considered. The review connects business value to:

- lifetime spending;
- retirement;
- family gifts;
- succession;
- estate liquidity;
- the life the owner wants the wealth to support.

> **The objective is not simply to minimise Inheritance Tax. It is to protect the family, preserve the business where intended and retain enough wealth for the owner's own life.**

Do the calculation *before the family needs it*.

Does the current business value sit above the available allowance?

A 30-minute introductory call is enough to discuss:

- the current business value;
- who owns the shares;
- the available Business Relief allowance;
- cash, investments or property inside the company;
- what the wills currently provide;
- whether the business may be retained, gifted or sold;
- whether a Business and Estate Review is likely to add value.

Rough figures are enough for the first conversation. A recent set of accounts, approximate business value, current shareholding and copies of the wills are useful starting points.

If the existing structure already appears appropriate and the main risks are being dealt with, I will say so.

Book a 30-minute *introductory call*

BOOK YOUR CALL

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No fee for the introductory call. No obligation to proceed.