

Inheritance Tax Is Changing In 2026: What Farming Families And Business Owners Need To Know

If you own a farm, land, or a family business, you will have undoubtedly heard that inheritance tax (IHT) rules are changing. While the headlines have caused concern, the key message is this: don't panic - but don't ignore it either.

From April 2026, important changes will take effect to agricultural property relief (APR) and business property relief (BPR). These reliefs have historically played a vital role in helping farms and family businesses pass from one generation to the next without triggering a large inheritance tax bill.

Understanding what's changing, and reviewing your plans now, can give you and your family more choice, flexibility, and peace of mind.

What is APR and BPR?

APR and BPR are inheritance tax reliefs that can reduce, or even eliminate, the IHT due on qualifying agricultural or business assets when someone dies, including IHT that may arise on certain lifetime gifts of qualifying assets that become taxable on death.

Until now, qualifying assets could often pass 100% free of inheritance tax, regardless of their value. For many farming families and business owners, this has been essential in keeping businesses intact and viable for the next generation.

What is changing from April 2026?

In the Autumn Budget 2024, the government announced that unlimited relief would come to an end.

Under the revised rules:

- Each individual will have a £2.5 million cap which will apply to the combined value of qualifying assets eligible for 100% APR or BPR
- Any qualifying assets above £2.5 million will receive 50% relief
- This means the excess value could face inheritance tax at an effective rate of 20%
- Any unused allowance will be transferable between spouses and civil partners, meaning a married couple or civil partners can pass on qualifying assets worth up to £5.65 million tax free by combining two £2.5 million agricultural/business property allowances and two £325,000 nil-rate bands (if available)

This was a change from the government's original proposal of a £1 million cap, not transferrable between spouses and civil partners (this was introduced in Autumn Budget 2025), which prompted strong opposition from farming and rural communities. The increase to £2.5 million, announced in a press release on 23rd December 2025, has been widely reported as a partial U-turn to soften the impact, but it still represents a major shift.

Why this matters for you

For many families, particularly those with land-rich or asset-heavy businesses, these changes could result in a significant inheritance tax bill where none was expected before.

With the end of unlimited relief now confirmed for April 2026, it's essential to:

- Review the value of your assets
- Revisit wills, trusts, and succession plans
- Consider whether your current arrangements still achieve what you want

Plans that worked well under the old rules may no longer deliver the outcome you expect.

Practical steps to take now

1. Check whether your existing plans still work

Wills, trusts, and business succession plans should all be reviewed in light of the new rules. Small changes in legislation can have big consequences.

2. Think beyond tax

Good planning isn't just about inheritance tax. It's also a chance to step back and think about what matters most to you - protecting your family, keeping the business viable, and ensuring clear arrangements are in place for the future.

3. Make sure your figures are up to date

The value of farms, land, businesses, and investments changes over time. Accurate, current valuations are essential for effective planning.

4. Put the right safeguards in place

Consider Lasting Powers of Attorney (LPAs) so that trusted people can manage your affairs if you're unable to do so yourself in the future.

5. Talk it through

The best plans are built on clear communication. Open conversations with family members and business partners can help avoid misunderstandings and disputes later on.

A review today can protect your family tomorrow

There is still time to act before April 2026, but early advice gives you more options and greater control.

A specialist lawyer, such as an accredited Lifetime Lawyer, working with your financial/tax adviser, can help you navigate these changes, understand your choices, and put a plan in place that reflects both your financial position and your family values.

Inheritance tax rules may be changing, but with the right guidance, you can still plan with confidence.

Contact us

Our Tom Baker is an Accredited Lifetime Lawyer. This means that he specialises in later-life and succession planning, with expert training to help families, business owners, and farm owners navigate complex inheritance matters.

Working with a Lifetime Lawyer gives you a trusted legal adviser who can:

- Explain how the upcoming APR and BPR changes in April 2026 could affect your estate or business.
- Review your wills, trusts, and succession plans to make sure they still work as intended.
- Help you plan ahead with confidence, protecting your family and assets for the future.

If you are concerned about inheritance tax or planning for the next generation, get in touch by email, tom.baker@dwharris.co.uk or call us on 01443 223265.