A BLACKFINCH GUIDE TO

Business Relief

BLACKFINCH

Welcome to the Adviser's Guide to Business Relief. As a financial adviser, you'll already be well aware that Inheritance Tax (IHT) poses a significant problem for a large portion of your clients. According to HM Revenue & Customs (HMRC), IHT receipts amounted to approximately £7.5bn in 2023/2024, compared to £7.1bn taken in the previous tax year.[1]

Changes announced in the Autumn 2024 Budget, such as keeping IHT allowances frozen at current levels until 2030 and including unspent pensions part of a person's estate, are expected to increase the number of families caught by IHT. Clearly, this is a time when advisers need to be having conversations with more of their clients about estate planning.

At Blackfinch, we are passionate advocates of intergenerational wealth planning, and we're committed to helping ensure people can pass on more of their wealth. Business Relief (BR) remains a central component of our investment management ethos. For example, through our Adapt IHT Service, clients can plan for IHT while investing in firms operating across renewable energy generation and energy infrastructure assets, property development finance, forestry and asset-backed lending. Alternatively, our Adapt AIM Portfolios invest in fast-growing firms listed on the Alternative Investment Market (AIM), and different income and growth portfolios offer clients genuine growth potential as well as providing them with the option of an Individual Savings Account (ISA) tax wrapper.

[1] Source HMRC tax receipts and National Insurance contributions for the UK

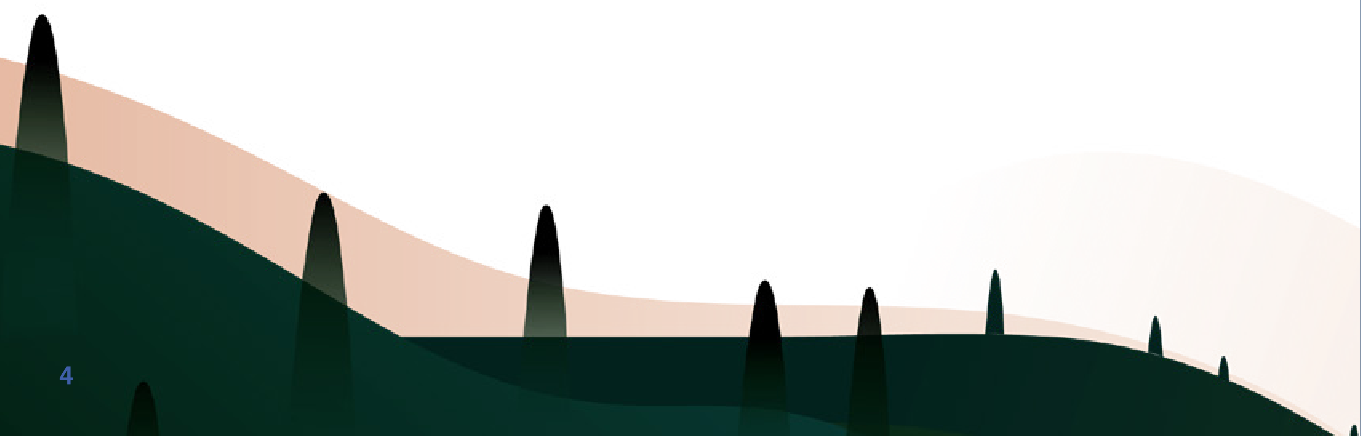
Here at Blackfinch, we believe BR has an important role to play in helping more families to successfully transfer their wealth between generations. We also believe that companies that qualify for BR have a significant role to play in the growth of the UK economy, and we're proud of the work we do to give these companies the investment they need to be successful.

In this guide

The History of Business Relief

Business Relief, also known as Business Property Relief, has been an established part of Inheritance Tax (IHT) legislation since 1976. It was introduced to help ensure that when the owner of a family business passed away, the family would not be forced to sell the business – or any property owned by the business – to pay any IHT due. Business Relief can be applied for by the executor of the will or administrator of the deceased's estate. It can also be transferred during a person's lifetime.

Down the years, the rules relating to Business Property Relief expanded so it was no longer applicable just to family-owned businesses – and it became more widely known as Business Relief. In 1995, the government extended Business Relief rules to include ownership of some shares listed on the Alternative Investment Market (AIM).



How does Business Relief work?

Through Business Relief, the deceased's estate can claim IHT relief on shares in a BR-qualifying company after a holding period of just two years, provided the shares are still held at the time of death. That's a much shorter timeframe than other IHT planning tools, such as trusts or gifting large sums, which take seven years before benefiting from full IHT relief.

In 1995, recognising the economic advantages of encouraging more investment into UK companies from retail investors, the government extended BR rules to include ownership of some shares listed on the Alternative Investment Market (AIM).

Business Relief can be applied for by the executor of the will or administrator of the deceased's estate and can also be transferred during a persons lifetime.

Changes to Business Relief from April 2026

At present, shares in a company that qualifies for Business Relief become 100% IHT relievable after two years. However, in the Autumn 2024 Budget, the Chancellor announced changes to Business Relief which will come into effect from April 2026. These changes are:

- **For shares in an 'unquoted' company:** the 100% rate of relief will continue for the first £1 million of BR-qualifying shares. The rate then reduces to 50% for amounts over that threshold. The £1m threshold relates to the total value of all BR-qualifying investments held, irrespective of provider.
- **For AIM-listed companies:** the rate of Business Relief is reduced to 50% for all BR-qualifying companies.

Understanding the New Rules for Business Relief

For the first time since Business Relief was introduced, the changes announced in the Budget have created a distinction between the amount of IHT relief that can be claimed, depending on (1) the type of BR-qualifying shares owned (2) the amount invested.

Which Companies Qualify for Business Relief?

First, it's worth remembering that not all businesses qualify for Business Relief. It only applies to:

- Shares in an unquoted BR-qualifying company ✓
- Shares or an interest in BR-qualifying privately owned companies, sole trader businesses, and limited liability partnerships ✓
- Shares in a BR-qualifying company quoted on AIM ✓

Companies that do not qualify for Business Relief include:

- Most companies listed on the London Stock Exchange X
- Companies that deal with securities, stocks or shares, land or buildings, or in making or holding investments X
- Not-for-profit organisations X

What do clients need to know?

- To claim Business Relief, the BR-qualifying shares must have been held for a minimum of two years, and at time of death.
- The new BR rules will be applied in cases where the deceased died on or after 6 April 2026.
- The new £1m threshold applies to the person, not the investment. This means 100% IHT relief can only be claimed on the first £1m across all owned BR-qualifying investments.

Type of BR-qualifying business	Amount of Business Relief that can be claimed post 6th April 2026	How much IHT must be paid?
Shares in unquoted companies	100% on the first £1m, 50% thereafter	Nothing for the first £1m, an IHT rate of 20% on any amount above the threshold
Some privately owned companies, sole trader businesses, and limited liability partnerships	100% on the first £1m, 50% thereafter	Nothing for the first £1m, an IHT rate of 20% on any amount above the threshold
Shares in AIM-quoted companies	50%	An IHT rate of 20% applies on all shares

If a client holds multiple BR-qualifying investments totalling more than the £1m threshold, the IHT liability is spread proportionately across each investment.

A Quick Guide to Nil Rate Bands (NRB) for (IHT)

What is a NRB?

The NRB is the amount of a person's estate (money, property, and possessions) that can be passed on free of IHT in the UK. Anything above the NRB is typically taxed at 40%.

Standard Nil Rate Band (SNRB)

- As of 2024, the SNRB is £325,000. This has been frozen at this level for several years and will remain frozen until at least 2030.
- If your estate is worth less than this amount, no IHT is due.
- If your estate exceeds this threshold, the amount above £325,000 may be subject to IHT.

Transferable Nil Rate Band

- Married couples and civil partners can transfer any unused NRB to their partner when they die.
- This means the surviving partner can have an NRB of up to £650,000 (2 × £325,000).

Residence Nil Rate Band (RNRB)

Introduced in 2017, the RNRB applies if a home is passed to direct descendants (children or grandchildren).

- As of 2024, the RNRB is £175,000, and as with the NRB, will remain frozen until at least 2030.
- Combined with the standard NRB, this means an individual can pass on up to £500,000 tax-free if their estate includes a home.
- For married couples or civil partners, the combined total can reach £1 million (£650,000 + £350,000).

Scenario	Tax-Free Allowance
Individual	£325,000
Individual + RNRB	£500,000
Married couple	£650,000
Married couple + RNRB	£1,000,000

Using a BR-Qualifying Investment to Claim 100% IHT Relief

This client example demonstrates that clients who invest sums of less than £1m into BR-qualifying investments will not be affected by the changes introduced in April 2026.

£875k

Robin has a total estate valued at £875,000

The value of the estate above the nil-rate band **(£325,000)** and residential nil-rate band **(£175,000)** = **£375,000**

£150k

The IHT bill of 40% against this value is £150,000

£375k

However, if Robin invests this money into a BR-qualifying portfolio, there will be no IHT for his estate to pay at the time of death (as long as he has held the shares for two years and at the time of death)

£725k

The value of Robin's estate after IHT

£875k

The value of Robin's estate after IHT with an investment into a BR-qualifying portfolio

Calculating IHT when a Client Holds More Than One BR-Qualifying Investment

This example explores the new rules for investments above the £1m threshold for 100% Business Relief. Robin uses BR as part of an estate planning strategy recommended by his financial adviser.

£1.2m

Two years ago, Robin invested £1.2m into two unquoted BR-qualifying investments in amounts of £800,000 and £400,000, respectively. His other assets are covered by current IHT allowances

Under the new rules, IHT falls due on the amount above £1m (i.e., £200,000) at the new 20% rate. The IHT liability is proportionally spread across both BR-qualifying investments

£480k

Without BR-qualifying investments as part of his estate planning, Robin's estate would have been liable for an IHT bill of £480,000 (40% of £1.2m)[v]

£40k

Amount of IHT due on total BR-qualifying investments

Calculating IHT for an AIM BR-Qualifying Portfolio

This example explores the new rules for AIM-listed BR-qualifying investments. Robin uses BR as part of an estate planning strategy recommended by his financial adviser.

£875k

Robin has a total estate valued at £875,000

The value of the estate above the nil-rate band **(£325,000)** and residential nil-rate band **(£175,000)** = **£375,000**

£150k

The IHT bill of 40% against this value is £150,000

£725k

The value of Robin's estate after IHT

£375k

As Robin has invested £150,000 into an AIM-listed BR-qualifying portfolio, his estate can claim Business Relief at 50%. This will leave an IHT bill of 20% of the value of the portfolio

£30k

The IHT bill due on Robin's AIM-listed portfolio

£845k

The value of Robin's estate after IHT with an investment into a BR-qualifying AIM-listed portfolio

Accessing BR-Qualifying Shares Through Investments

Investors with an estate that triggers an IHT bill can invest in the shares of companies that by their trading activities, are considered eligible for Business Relief, in other words BR-qualifying. Investing in a diverse portfolio of different BR-qualifying companies also gives the investor the potential for sustainable investment returns, and spreads the investment risk.

At Blackfinch, we offer a range of BR-qualifying portfolios carefully constructed to meet this need. These include:

Product	Investment sectors and industries	Client investment objective	Typical Client Scenario
Adapt IHT Service[4]	Property development, Asset-backed lending, Renewable energy Forestry	IHT Relief	Capital preservation and growth
Adapt AIM Portfolios	Growing business listed on AIM	IHT Relief Tax free returns[2] Capital Gains Tax Relief[2]	Income and growth
Ventures EIS Portfolios[4]	Early-stage, unlisted Technology-led businesses	IHT relief Income Tax Relief CGT deferral Tax-free growth [3]Conditions apply	Growth

[2] Assets must be held within an ISA to qualify for returns free of Income Tax and Capital Gains Tax. For any assets held outside ISAs, tax may be payable on income and capital gains.

[3] Growth free of CGT (if Income Tax relief has been claimed)

[4] For investments to qualify for income tax relief and tax-free growth, investors must hold them for a minimum of three years.

Don't invest unless you're prepared to lose all your money invested. This is a high risk investment. You could lose all the money you invest and are unlikely to be protected if something goes wrong. Take 2 minutes to learn more on page 16 →

Benefits

Why Recommend BR-Qualifying Investments to Clients?

Choice

Clients have a broad range of different BR-qualifying investment options to choose from, making it easier to find a product that closely matches (1) the amount they wish to invest to obtain IHT relief, (2) their overall investment objectives, and (3) their risk profile. The variety of solutions also makes for a good fit alongside other estate planning options, such as trusts.

Speed

Unlike trusts and gifts, which can take seven years to be up to 100% IHT exempt, BR-qualifying shares can become fully IHT exempt when held for at least two years and at time of death.[5]

Flexibility

Where an asset that qualifies for Business Relief is sold, the relief can be maintained if the asset is replaced by the purchase of a new BR-qualifying asset or investment within three years. In other words, the two-year ownership period is not reset if the sale proceeds are used to replace one BR-qualifying asset with another.

Additionally, where a client acquires BR-qualifying shares on the death of their spouse or civil partner, the previous period of ownership will count towards the client's ownership period.

[5] From 6 April 2026, the first £1m of BR-qualifying investments will be eligible to claim 100% Business Relief, while 50% can be claimed thereafter. AIM-listed BR-qualifying shares are eligible for 50% Business Relief.

Risks

What are the risks associated with BR-qualifying shares?

Capital is at risk. The value of an investment may go up as well as down.

Legislation

Legislation for tax rules and reliefs could change in the future. This may impact shares held in companies that are later deemed as no longer BR-qualifying. To date, Blackfinch has achieved 100% success rate on creating BR-qualifying investments.

BR Qualification

Business Relief is assessed by HMRC on a case-by-case basis at the time of death of the investor, as part of the probate process. Therefore, the relief cannot be guaranteed. The two-year timeframe begins when HMRC deems the investment to have become BR-qualifying. This may be later than the investment date.

Liquidity

Liquidity varies by product and should be considered when understanding which product may be a suitable fit for an investor.

Suitability

The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.

FCA Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest

If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong

Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (https://www.fscs.org.uk/check/investment-protection-checker).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (https://www.financial-ombudsman.org.uk/consumers).

3 - You won't get your money back quickly

Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these (https://www.financial-ombudsman.org.uk/consumers).

4 - Don't put all your eggs in one basket

Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (https://www.fca.org.uk/investsmart/5-questions-ask-you-invest).

5 - The value of your investment can be reduced

The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (https://www.fca.org.uk/investsmart).

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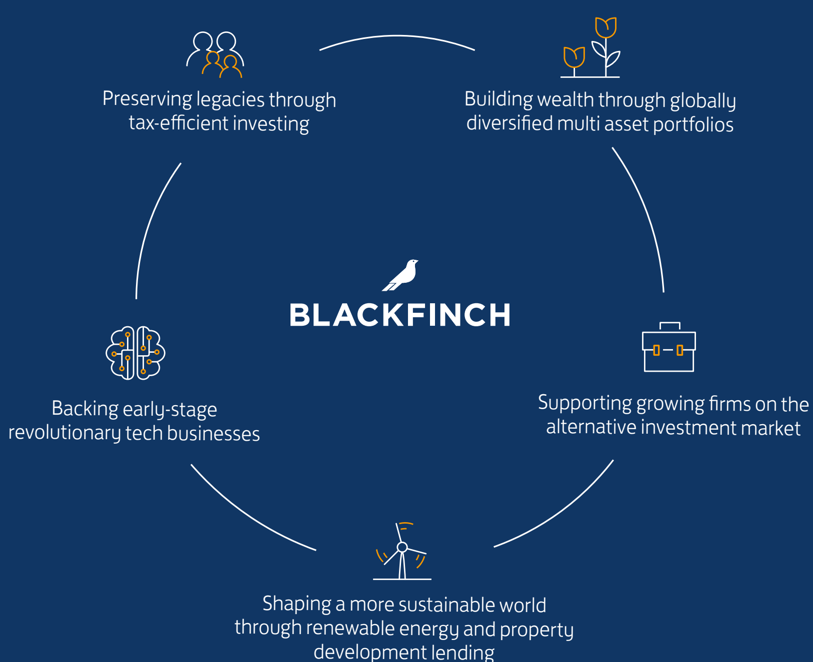
The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.

For more guides, case studies and resources please feel free to contact your local Business Development Manager.

A **lifetime** investment partner

Blackfinch offers a number of investment solutions, to address a range of client objectives.

No matter where they are in their investment journey, from starting out in building their wealth, through to managing their estate to ensure they pass on as much as possible to the next generation, we are here to help you achieve their goals



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