



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Alistair Carmichael MP
Chair of the Environment, Food and Rural Affairs
Committee
House of Commons
London
SW1A 0AA

7 February 2025

Dear Alistair

Thank you for your letter of 23 January on behalf of the Environment, Food and Rural Affairs Committee to the Prime Minister about reforms to relief for inheritance tax. Your letter has been passed to HM Treasury to respond and I am replying as the Minister responsible for the UK tax system.

I welcome the focus on this issue by your Committee and I know you are familiar with the Government's rationale for the reforms. The Government believes its approach gets the balance right between supporting farms and fixing the public finances in a fair way. The reforms reduce the inheritance tax advantages available to owners of agricultural and business assets, but still mean those assets will be taxed at a much lower effective rate than most other assets. Despite a tough fiscal context, the Government will maintain very significant levels of relief from inheritance tax beyond what is available to others and the position before 1992.

You ask three specific questions and I will take each in turn.

Will you confirm that the Treasury figures, forming the basis of the 500 farms per year figure, do not include BPR-only claims? Can you also confirm the total number of BPR only claims made in the most recent year for which data is available?

It may be helpful to re-emphasise that the Government's assessment relates to the number of estates forecast to have an increased inheritance tax liability. Inheritance tax is a wealth transfer tax on the estate (the property, money, and possessions) of someone who has died.

As the Government has set out, the reforms are expected to result in up to 520 estates claiming agricultural property relief in 2026-27 paying more inheritance tax. This means almost three-quarters of estates claiming agricultural property relief, including those that also claim for business property relief, would not pay any more tax as a result of the changes in 2026-27, based on the latest available data.

The Government has also set out that around 1,500 estates only claiming business property relief are expected to be affected in 2026-27, with around 1,000 of these expected to only hold shares designated as “not listed” on the markets of recognised stock exchanges, such as the Alternative Investment Market. The remaining 500 estates will include business assets from sectors across the economy that are eligible for business property relief. These reforms mean that around three-quarters of estates claiming business property relief in 2026-27 (excluding those only relating to holding shares designated as “not listed”) will not pay any more inheritance tax in 2026-27.

You ask for the total number of claims for those estates only claiming business property relief in the most recent year for which data is available.

The table below provides the requested data for the number of estates making claims for business property relief where the death and subsequent wealth transfer occurred in 2021-22. This information is provided only for those estates which made such claims, and excludes those estates which also made claims for agricultural property relief. The figures may not sum due to rounding. The data relates to all those only claiming business property relief for any sort of relevant business assets, including only for shares “not listed” on the markets of recognised stock exchanges. The table demonstrates there were a very small number of total claims in excess of £1 million.

Value of assets qualifying for relief	2021-22				
	Number of claims	Proportion of total claims	Total value of assets qualifying for relief (£m)	Proportion of total value of assets qualifying for relief	Median value of qualifying assets (£)
£0 to £250,000	1,947	57%	195	8%	91,000
£250,000 to £500,000	558	16%	203	9%	346,000
£500,000 to £1m	447	13%	318	13%	709,000
More than 1m	441	13%	1,662	70%	1,575,000
Total	3,393	100%	2,378	100%	202,000

Will you meet with me as a matter of urgency to discuss this matter?

I am happy to meet with you to discuss the matter further if you would find it helpful.

Will you extend the technical consultation to cover the above issues to demonstrate that you are listening to the farming and rural community?

The technical consultation will be published shortly. The focus of the consultation will be on the detailed application of the allowance to lifetime transfers into trusts and charges on trust property. This will inform the legislation to be included in a future Finance Bill and we welcome engagement on this technical issue. There are no plans to expand the scope of the consultation.

It has been standard practice by successive governments that they do not consult on changes to rates, thresholds, or the level of allowances. This is set out in the Tax Consultation Framework published in March 2011, which can be found at <https://assets.publishing.service.gov.uk/media/5a79567ee5274a3864fd622b/tax-consultation-framework.pdf>.

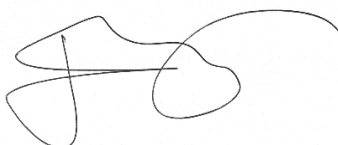
However, the Government takes into account all representations made ahead of fiscal events, including those made by agricultural groups, and meets with stakeholders on a regular basis. Following media speculation that agricultural property relief and business property relief might be abolished at Autumn Budget 2024, the Government received several written representations from agricultural groups relating to the retention of the reliefs. Representations were received from several organisations about the importance of the reliefs, including the Central Association of Agricultural Valuers, the National Farmers Union, the Tenant Farmers Association, the Country Land and Business Association, and the National Pig Association. I also took part, on behalf of the Government, in a Westminster Hall Debate on the matter in October prior to Autumn Budget 2024.

Other organisations, such as the Institute for Fiscal Studies, have called over many years for abolition or restrictions to these reliefs. For example, commentators highlighted that inheritance tax relief for agricultural and business assets favours those whose wealth is held in these forms rather than others. Many have highlighted that these reliefs contribute to an inheritance tax system that means the very largest estates paying lower effective tax rates than smaller estates. For example, this is the case whether those individuals benefit from relief as owner-occupiers of the land or landowners who make the land available to tenant farmers. More information is available in section 4.4 of HMRC's accredited official statistics at www.gov.uk/government/statistics/inheritance-tax-liabilities-statistics/inheritance-tax-liabilities-statistics-commentary#iht-liabilities-and-taxpaying-estates.

As the Minister responsible for the UK tax system, I have participated in several meetings with agricultural organisations since Autumn Budget 2024 to listen to views and explain the policy. Other Ministers in other Departments, such as the Department for Environment, Food and Rural Affairs, have also held meetings with agricultural organisations to listen to their views. As well as being raised in sessions by several Select Committees, we have also debated this extensively in Parliament several times so the Government is fully aware of the views being expressed on behalf of some of those in the farming and rural community.

I hope this is a helpful explanation and is of assistance to the work of the Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'J. Murray', with a long horizontal stroke extending to the right.

JAMES MURRAY MP
EXCHEQUER SECRETARY TO THE TREASURY