

Helping Clients Claim Inheritance Tax relief through an ISA

Strengthening Client Portfolios

Do you have clients who are looking to invest their Individual Savings Account (ISA) allowance this year? And do those same clients have an Inheritance Tax (IHT) liability or do you expect they will in the future?

These questions are all key to helping your clients manage their investments more tax-efficiently. And they can be covered if you suggest an Alternative Investment Market (AIM) ISA to your clients. AIM was established in 1995 as the home for smaller, growing companies seeking access to capital. Today, AIM is widely recognised as one of the best growth markets in the world.

Please note:

Benefits of tax-efficient investments are subject to change and personal circumstances.

Business Relief rules are changing in April 2026. See the Guide to Business Relief for more information.

An AIM ISA can deliver three benefits in one:

- 1 Longer-term smaller company exposure:** Few clients own smaller company investments within their portfolios, despite their high growth potential. Investing in AIM is mostly suitable for clients with a long-term horizon for their investment and who are both willing and able to accept the higher risks associated with the high growth nature of AIM. Investing in AIM stocks via an ISA means investors can really make the most of the available tax-free benefits over the long term.
- 2 Diversification:** AIM is home to a broad and diverse range of companies from different sectors and at various stages of development. Although smaller companies are often considered higher-than-average risk investments, as part of an overall portfolio they can add much-needed diversification. It may also surprise some investors to know that there are businesses valued at over £1bn on AIM, so there may be more choice than they first thought.
- 3 IHT mitigation:** Many companies listed on AIM qualify for Business Relief. If an investor holds shares that qualifying for Business Relief within an ISA, these shares should be liable for a reduced rate of Inheritance Tax of 20% after two years, meaning more of the value of the ISA can be passed to beneficiaries.

Shares that Qualify for Business Relief

Business Relief was introduced as an IHT relief in 1976, and is aimed at encouraging investment into actively trading companies, including those listed on AIM. Not all companies are eligible for Business Relief.

AIM listed shares in a company that qualifies for Business Relief pay a reduced rate of Inheritance Tax of 20%, provided the shares are still held at the time of death. Should the holder of the shares die before the two-year period is reached, the shares can be passed to a surviving spouse or civil partner. They can inherit the shares without restarting the two-year holding period.

An ISA-Friendly IHT Solution

Blackfinch's Adapt AIM ISA Portfolios are available for investment using the annual ISA allowance, or via a transfer from an existing ISA portfolio. Clients can choose from Income, Growth or Mixed (exclusively for direct investment) portfolios featuring 20-60 AIM-listed companies. Whichever portfolio clients choose, their investment could introduce diversification to their overall portfolio and also help deliver a swifter route to IHT relief on the value of the ISAs.

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

Request an illustration, apply online, or get in touch with your local Business Development Manager (BDM) today.



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IMPORTANT INFORMATION

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