

Inheritance Tax – Could Your Beneficiaries Be Affected...?



Dominique Butters
Executive Business
Development Manager

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.

Inheritance Tax (IHT) thresholds are frozen at their current levels until at least 2030, effectively guaranteeing more people will leave behind IHT bills in the future. Here's a quick reminder of the status quo.

Currently, the nil-rate band, the threshold below which you do not have to pay IHT on the value of your estate, remains frozen at £325,000 for individuals, and at £650,000 for couples. The residence nil-rate band (RNRB) which was introduced in 2017 has been effectively capped at £175,000 for the foreseeable future.

Although the introduction of the RNRB initially helped reduce overall IHT receipts, they have been increasing year on year. According to HM Revenue & Customs, IHT receipts for April 2024 to December 2024 stood at £6.3 billion, which is £0.6 billion higher than the same period last year.

Average house prices in the 12 months to June 2024 increased in England to £305,000 (2.4%), increased in Wales to £216,000 (1.8%) and increased in Scotland to £192,000 (4.3%). The average house price increased in the year to Q2 (April to June) 2024 to £185,000 in Northern Ireland (6.4%).

For most clients, their home is most likely to be their biggest asset, and for increasing numbers the existing IHT thresholds may not be enough to cover the overall value of their estate, particularly after taking into account their other investments. One tax-efficient alternative is to invest capital into our IHT investment service that qualifies for Business Relief (BR). Introduced in 1976 as a way to ensure family-owned companies did not have to be sold to pay an IHT bill, today BR has a much wider scope to encourage investment into the UK economy. Crucially, clients do not need to own a business to benefit.

As specialists in tax-efficient investing, we offer a number of IHT planning services designed to suit clients' individual needs, such as whether they want to preserve or grow their capital. For example, our Adapt IHT Service invests in renewable energy generation and energy infrastructure assets, property development finance, asset-backed lending and forestry, while our Adapt AIM Portfolios invest in qualifying businesses listed on the Alternative Investment Market.

As our founder and Chief Executive Richard Cook explains:

“Investing in a portfolio of shares that qualify for BR means not only that clients get to stay in control of their money, but it also means they can reduce the IHT liability on their estate after just two years. In other words, it really is never too late to help clients to put plans in place for their estate, so that their loved ones get more, and the taxman receives less.”

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.



Create an IHT Illustration



Create an AIM Illustration



Speak to your BDM

IMPORTANT INFORMATION

Capital at risk. This article is issued by Blackfinch Investments Limited (Blackfinch), which is authorised and regulated by the Financial Conduct Authority (FCA number 153860). Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948. This article is for intermediary information only and does not form any offer or invitation to invest. All information correct at February 2025.

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>).