

# Mitigating an IHT Liability Created by ISA Investments

## **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.*

## **Scenario**

Long-term ISA savings can create an Inheritance Tax (IHT) liability for many investors. This needs to be factored into financial planning. Take Stuart, a working professional in his sixties with a wife and three children.

Stuart's wife took a career break to raise their children and he was the sole provider for 15 years. He has used ISAs over decades to build up tax-free savings year on year, now close to £400,000. These sit alongside his pension plan and the family home he and his wife own.

Stuart knows that his combined assets of £1.7 million are well above the current IHT threshold. He also understands that his ISA savings specifically have created an IHT liability. Stuart aims to arrive at a plan to protect his hard-earned savings and mitigate IHT.

## **Solution**

Stuart's adviser introduces him to an IHT solution focused on Business Relief (BR). This can deliver up to 50% IHT relief after two years (and if still held at time of death). The solution invests in BR-qualifying businesses listed on the Alternative Investment Market (AIM).

Stuart learns that AIM-listed shares can be held in an ISA wrapper. This will provide a way to conserve his tax-free savings, reduce the IHT liability and continue drawing on ISA tax benefits. These include tax-free dividends and no Capital Gains Tax on investment growth.

## Steps

**Invest:** Stuart invests his £400,000 ISA savings in the AIM-focused service, looking to reduce a potential IHT liability of £280,000

**Use ISA wrapper:** Stuart is able to hold his BR-qualifying investments in AIM shares in an ISA wrapper, and continue making use of ISA tax benefits

**Mitigate IHT:** After two years, Stuart can look to halve the IHT liability owned on the investment. He can protect his ISA savings for his family, and a greater proportion of his estate.

**On death:** The Adapt AIM investment benefits from a reduced rate of IHT, 20% instead of 40%, saving £80,000.

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#### **IMPORTANT INFORMATION**

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