

INHERITANCE TAX: RELIEFS

There are two main reliefs from IHT which can reduce the value transferred for certain agricultural and business assets.

Agricultural Property Relief (APR)

APR provides relief of either 50% or 100% on the agricultural value of qualifying agricultural property.

The relief is 100% unless the conditions below apply in which case it is only available at 50%:

- Tenanted; and
- Let on a pre-1 September 1995 lease; and
- The lease has more than two years to run at the date of transfer.

The agricultural property must be qualifying farmland or farm buildings situated in the UK, the Channel Islands, the Isle of Man or an EEA state. It must have been occupied and used for agriculture by the donor throughout the two years prior to the transfer (increased to seven years for tenanted land).

Qualifying (includes)	Non-qualifying (includes)
<ul style="list-style-type: none"> • Agricultural land or pasture. • Growing crops transferred with the land. • Farmhouses, cottages and buildings used for agricultural purposes that are proportionate in size to the nature and size of the farming activity. • Woodlands and buildings used for the intensive rearing of livestock or fish. • Stud farms that are breeding and rearing horses, and the land the horses graze on. 	<ul style="list-style-type: none"> • Farm equipment and machinery. • Harvested crops. • A cottage or farmhouse occupied by someone not employed in farming (subject to certain exceptions for retired employees and protected tenants).

The relief only applies to the agricultural value of the asset and not its market value.

Business Property Relief (BPR)

BPR applies when 'relevant business property' is given away. Relief is given at 50% or 100% provided the donor has owned the property throughout the two years prior to the gift.

100% relief	50% relief
<ul style="list-style-type: none"> • A business or interest in a business. • Shares in unquoted trading companies (includes shares dealt on the Alternative Investment Market, AIM). 	<ul style="list-style-type: none"> • Quoted trading company shares where the donor held control of the company (i.e. over 50%). • Land and buildings, plant and machinery used by a company controlled by the donor or by his partnership.

BPR on shares is restricted if the company holds 'excepted assets'. In general, these are assets that are not used, or only used partly, for business purposes (such as rented property or quoted investments).

When both reliefs are available, such as for a farming business, APR takes precedence.