

2 April 2026

Supplementary forecast information release

Costings of allowing any unused allowance for agricultural and business property relief to be transferable between spouses and civil partners, and increasing the allowance from £1 million to £2.5 million

- 1.1 The OBR is releasing this information following a request for further detail in respect of the costing of changes to agricultural property and business property reliefs (APR and BPR) for inheritance tax (IHT), in our November 2025 and March 2026 *Economic and fiscal outlook*. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 This release briefly describes the measures, sets out the data sources and modelling used to estimate the costing, and discusses the main sources of uncertainty around this central estimate, following the OBR's policy costings process.¹ As set out in the *Charter for Budget Responsibility*, the Government is responsible for producing all policy costings. In the case of tax policies, the costings are typically produced by HMRC. The OBR's role is to provide independent scrutiny and certification of whether the Government's policy costings are reasonable and central. This means that the full datasets underpinning tax policy costings are generally held by HMRC. Therefore, requests for access to any datasets not available at the sources referenced in this note should be directed to HMRC.

Policy description

- 1.3 APR and BPR currently allow for exemption from inheritance tax (IHT) on qualifying agricultural land, business assets, and unlisted shares, of whatever value. From April 2026, a £1 million limit will apply jointly to the value of assets claimed under APR and BPR, with any value above this attracting 50 per cent relief. The costing for these reforms was set out in the October 2024 *Economic and fiscal outlook*.² Since then, there have been further announced changes to APR and BPR:
- In Budget 2025, the government announced that the £1 million allowance for the 100 per cent relief per estate would be transferable between spouses and civil partners.³ This was incorporated in the November 2025 forecast.

¹ See our *Briefing paper No.6: Policy costings and our forecast*, March 2014.

² See OBR, *Supplementary information release: Costing of changes to agricultural and business property relief*, January 2025, which details the initial modelling of the first measure.

³ See HMT, *Budget 2025, Strong foundations, secure future*, November 2025.

- In December 2025, the 100 per cent relief allowance for APR and BPR was increased from £1 million to £2.5 million per estate.⁴ This was incorporated in the March 2026 forecast.

Data

- 1.4 The main source of data for the costings is HMRC administrative data from 2022-23 on the composition of death estates from IHT400 forms completed by executors. This data is projected forward using economic assumptions consistent with our *November 2025* and *March 2026* forecasts to calculate the baseline IHT revenues.

Modelling

Static costing

- 1.5 The tax base for this costing is the number of estates eligible to claim APR and BPR before allowing for the transfer of the allowance and the increase of the allowance to £2.5 million. It uses the baseline IHT forecast, taken from HMRC's IHT microsimulation model and estimates the population of estates being passed on using administrative data from 2022-23 which is projected forward in line with relevant OBR determinants. It incorporates the announced policy from Autumn Budget 2024, which introduced a £1 million allowance for 100 per cent relief per estate for APR and BPR jointly from 2026-27. This means the value of any claims above this allowance would only attract 50 per cent relief. Unlisted shares, such as those on the Alternative Investment Market (AIM), are split out from other types of shares based on a HMRC sampling exercise and are also assumed to only attract 50 per cent relief, since their value are not included in the 100 per cent relief allowance according to the announced policy. This baseline was updated at Autumn Budget 2025 for updated base data, which suggests fewer estates will be in scope for the original measure, but will have a higher average liability.
- 1.6 The static costing of this measure amends the model to allow for the transfer of the £1 million allowance between spouses and civil partners. This is compared to the baseline estimate of IHT receipts and the decrease in the IHT revenue constitutes the static costing.⁵
- 1.7 In the March 2026 forecast, the model was further adapted to increase the APR and BPR allowance to £2.5 million for all estates. Combined with transferability, the combined APR and BPR allowance becomes £5 million for couples who are married or in a civil partnership. The difference between this and the baseline pre-measures IHT forecast with a £1 million allowance for the relief (transferable between spouses and civil partners) gives the static costing.

⁴ Under these reforms, the allowance is still transferable between spouses and civil partners. See Department for Environment, Food & Rural Affairs, HM Treasury, Department for Business and Trade, *Inheritance tax reliefs threshold to rise to £2.5m for farmers and businesses*, December 2025.

⁵ The model was previously adapted in Budget 2024 to incorporate the allowance for APR and BPR. For more information, see OBR, *Supplementary information release: Costing of changes to agricultural and business property relief*, January 2025 which details the initial modelling of the first measure.

Behavioural response

- 1.8 The effect of the allowance being transferable and then increased reduces incentives for individuals with large asset holdings or share portfolios to restructure their estates to make use of other reliefs. This can include making fewer or lower bequests to charity than previously assumed, making fewer or lower lifetime gifts and being less inclined to deplete the value of their estates. Compared to each static costing, in the 2030-31 tax year, the transfer of allowance costing is reduced by around 20 per cent, and the change to the level of the 100 per cent relief allowance costing is roughly halved as a result of this behaviour.
- 1.9 The costings use the same attrition assumptions as in the Budget 2024 costing, but they apply in the opposite direction. These increase over time as people take time to make changes to their wills and restructure their assets. These assumptions are applied to married and non-married estates for the effect of the allowance being increased, but the transferable allowance only impacts those who are widowed.⁶

⁶ This is because within the scorecard period, the Exchequer cost mainly comes from the estates of individuals whose spouses and civil partners have already pre-deceased them. The announced policy specifies that where a spouse or civil partner died before 6 April 2026, it will be assumed they had a full 100 per cent relief allowance to transfer on their death.

Table 1.1: Key parameters

Parameter	Value	Description
IHT tax rates (per cent)		
Standard rate	40	Tax rate on assets not qualifying for any reliefs.
Rate with full exemption	-	Tax rate on assets qualifying for APR and BPR at present, ¹ and below the £1 million allowance under the measure.
Rate with 50 per cent exemption	20	Tax rate on assets qualifying for APR and BPR above the £1 million allowance, or on unlisted shares, under the measure.
Tax base²		
Estates affected by initial APR/BPR reform announced in Autumn Budget 2024	1,540	Number of estates affected by the initial joint £1 million limit measure, recasted in November 2025 due to new base data and determinants.
Estates no longer affected by announced changes to APR/BPR	440	Number of estates no longer affected by these reforms due to the allowance increasing to £2.5 million and being transferable.
Affected estates impacted by APR and BPR reforms from 6 April 2026	1,100	Number of estates affected by reforms including the initial measure announced at Autumn Budget 2024, compared to the current, pre-April 2026 treatment of APR and BPR.
Estates paying less tax than under initial reforms announced in Autumn Budget 2024	280	Number of estates paying less tax than under the initial measure announced at Autumn Budget 2024, due to the allowance increasing to £2.5 million and being transferable.
Non OBR determinants		
ONS principal population projections		Number of estates projected in line with deaths in the UK.
Behavioural assumptions		
Initial general attrition assumption (per cent)	5-20	Loss of static yield from affected estates in 2026-27.
Annual increase in attrition (percentage point)	+5	Increase in attrition per year.
¹ In some circumstances under current rules, APR and BPR provide a 50 per cent exemption only.		
² Tax base figures are affected estates in 2026-27, when these reforms are implemented.		
Source: HMRC, OBR		

Table 1.2: Determinants used in the costing of the transferable allowance

	Forecast				
	2026-27	2027-28	2028-29	2029-30	2030-31
Pre-measures IHT forecast (£ billion)	9.5	11.2	12.7	13.7	14.5
Equity price (FTSE all-share index)	5,164	5,350	5,539	5,727	5,930
House price index (Jan 2015=100)	106	109	112	114	117
Household currency and deposit assets (£ billion)	2,366	2,438	2,523	2,614	2,710
Note: These determinants relate to the November 2025 forecast. The difference between the pre-measures and post-measures IHT forecast is the direct effects of measures such as the changes to APR and BPR plus the indirect effect of the policy package on determinants that affect the IHT forecast.					
Source: OBR					

Table 1.3: Determinants used in the costing of the APR and BPR allowance increase to 2.5 million

	Forecast				
	2026-27	2027-28	2028-29	2029-30	2030-31
Pre-measures IHT forecast (£ billion)	9.6	11.3	12.9	13.9	14.8
Equity price (FTSE all-share index)	5,572	5,771	5,972	6,176	6,396
House price index (Jan 2015=100)	105	109	111	114	117
Household currency and deposit assets (£ billion)	2,383	2,458	2,542	2,634	2,731

Note: These determinants relate to the March 2026 forecast. The difference between the pre-measures and post-measures IHT forecast is the direct effects of measures such as the changes to APR and BPR.

Source: OBR

1.10 Based on the November 2025 forecast, the central estimate for the static costing of the transferable allowance is a decrease in revenue of around £90 million in 2030-31, with the behavioural effects reducing the overall cost of the policy by around a fifth. That results in a post-behavioural cost of £70 million to the Exchequer in that year.

1.11 The static costing of the increase in the allowance to £2.5 million is a decrease in revenue of around £260 million in 2030-31, with behavioural effects reducing costs by around half. As discussed in our previous supplementary release on IHT measures, there are upside and downside risks to the degree of attrition in the long term, and the yield from this measure is not likely to reach a steady state for at least 20 years.⁷

Table 1.4: Final costings

	Forecast				
	2026-27	2027-28	2028-29	2029-30	2030-31
APR and BPR transferable allowance					
Static costing (£ million)	32	72	80	84	88
Behavioural effects	-1	-5	-9	-13	-18
Final costing	32	68	71	71	70
Increase in APR and BPR allowance to £2.5 million					
Static costing (£ million)	89	204	232	246	259
Behavioural effects	-26	-69	-90	-108	-121
Final costing	63	135	141	138	138

Note: This table uses the convention that a negative figure means a reduction in PSNB. The baselines for these costings are discussed in paragraphs 1.5 to 1.7.

Source: OBR

1.12 These costings for the APR and BPR transferable allowance, and the increase to the allowance threshold were assigned a low uncertainty rating, reflecting the relatively small and identifiable tax base.⁸

⁷ OBR, *Supplementary information release: Costing of changes to agricultural and business property relief*, January 2025.

⁸ See the 'Policy costings uncertainty ratings database – November 2025' spreadsheet at OBR, *Policy costings*, November 2025.