

INHERITANCE TAX – FA25 CHANGES GUIDE

This guide refers to changes from Finance Act 2025.

FA25 Ch	FA24 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Introduction to inheritance tax	✓			'Long-term UK resident' replaces 'domiciled' as basis of IHT charge in 'Scope of IHT' section Note. 'Excluded property' moved into this chapter
2	2	Chargeable transfers		✓		'Long term UK resident' replaces 'domiciled' in section on exempt transfers Note. Excluded property moved to introductory chapter
3	3	Chargeable lifetime transfers – calculation of tax			✓	
4	4	Lifetime transfers – 'grossing-up'			✓	
5	5	Close companies		✓		'Long term UK resident' replaces 'domiciled' in section on exceptions
6	6	Additional tax on death			✓	
7	7	Business property relief			✓	

8	8	Agricultural property relief			✓	Tutorial note added regarding non-examinability of new APR & BPR rules
9	9	APR and BPR on death			✓	
10	10	'Fall in value' relief			✓	
11	11	The death estate		✓		'Long term UK resident' replaces 'domiciled' in section on exempt transfers
12	12	Nil Rate Bands			✓	
13	13	Restrictions on the deduction of debts	✓			'Long term UK resident' replaces 'domiciled' and definition of 'excluded property' updated
14	14	IHT valuation rules		✓		'Long term UK resident' replaces 'domiciled' in section on foreign assets
15	15	Quick succession relief			✓	
16	16	Post mortem reliefs			✓	
17	17	Gifts with reservation of benefit	✓			'Long term UK resident' replaces 'domiciled' and definition of 'excluded property' updated
18	18	Pre-owned Assets			✓	

19	19	Excluded property and DTR	✓			New chapter as a result of the abolition of the old domicile regime which is replaced with a system under which IHT liability is determined by 'long-term UK residence'.
20	20	Restricted Spouse Exemption	✓			New chapter as a result of the abolition of the old domicile regime. The restricted spouse exemption now applies to transfers by a spouse who is long-term UK resident (LTUKR) to a spouse who is not LTUKR. Transitional rules apply where elections were made under the previous domicile regime.
21	21	Deeds of variation			✓	
22	22	Inheritance tax administration	✓			'Long term UK resident' replaces 'domiciled' and scope of excepted estate updated
23	23	Payment of tax and the instalment option			✓	
24	24	Heritage property			✓	

TRUSTS AND ESTATES – FA25 CHANGES GUIDE

Note that all chapters have been updated for 2025/26 thresholds, rates and allowances.

FA25 Ch	FA24 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Introduction to trusts		✓		Gains rules for overseas trusts and residence definition updated New rates of CGT for 2025/26.
2	2	Income tax on interest in possession trusts			✓	
3	3	Income tax on discretionary trusts		✓		Explanation of the treatment of low income trusts clarified.
4	4	Income tax on “mixed” trusts			✓	
5	5	Exit charges on relevant property trusts		✓		Definition and IHT treatment of excluded property updated
6	6	Inheritance tax – Principal charges		✓		Excepted settlement condition for residence status of settlor updated
7	7	Accumulation and maintenance trusts			✓	

8	8	Other trusts for children			✓	
9	9	Interest in possession trusts – IHT issues		✓		'Long term UK resident' replaces 'domiciled' in section on IIP trusts created on death
10	10	Interest in possession trusts – Further aspects			✓	
11	11	Trusts for vulnerable beneficiaries and disabled persons		✓		CGT rates updated
12	12	Annuities			✓	
13	13	Capital gains and UK trusts		✓		CGT rates updated
14	14	CGT and UK trusts – Further aspects		✓		CGT rates updated
15	15	Trust income taxed on the settlor			✓	
16	16	Settlor interested trusts – CGT and IHT		✓		CGT rates updated The interaction of overseas settlor interested trusts with the gift with reservation rules updated, along with the definition of excluded property
17	17	Bare trusts			✓	

18	18	Estates in administration		✓		'Long term UK resident' replaces 'domiciled' in section on taxation of estates and CGT rates updated
19	19	Beneficiaries of deceased estates			✓	

INCOME TAX AND CAPITAL GAINS TAX – FA25 CHANGES GUIDE

Note that all chapters have been updated for 2025/26 thresholds, rates and allowances.

FA25 Ch	FA24 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Introduction to the UK tax system			✓	
2	2	Calculating the income tax liability			✓	
3	3	An introduction to self-assessment		✓		<p>Examples of who may have to file a tax return updated</p> <p>Taxpayers wishing to file a paper return can now download and print a copy from the Gov.UK website.</p> <p>Clarification re taxpayers who might be sent simple assessments.</p>
4	4	Payment dates, interest and penalties			✓	
5	5	Self-assessment – further aspects			✓	
6	6	Introduction to property income		✓		References to FHLs removed as regime abolished from 6 April 2025.

7	7	The Accrued Income Scheme			✓	
8	8	Introduction to capital gains tax		✓		Change in rates of CGT from 30 October 2024 (10% to 18% and 20% to 24%) Separate rate for residential property abolished from 30 October 2024.
9	9	Calculation of capital gains			✓	
10	10	Business Asset Disposal Relief and Investors' relief		✓		Change in rate of BADR from 10% to 14%. Furnished holiday lettings (FHL) regime abolished from 6 April 2025. Disposals of FHL properties from 6 April 2025 do not qualify for BADR.
11	11	Relief for capital losses			✓	
12	12	Reporting of gains and payment of CGT			✓	
13	13	Chattels			✓	

14	14	Valuation, connected persons and inter spouse transfers			✓	
15	15	Shares and securities – matching rules			✓	
16	16	Gift relief		✓		Following abolition of FHL regime from 6 April 2025, FHL are not a trade for the purposes of gift relief
17	17	Gift relief – restrictions			✓	
18	18	Gift relief – further aspects			✓	
19	19	Private residence relief			✓	
20	20	PRR – further aspects			✓	