

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	Business property relief – further aspects		✓		'Furnished holiday lets' terminology replaced with 'holiday accommodation lettings' following abolition of FHLs & new case added
9	9	Agricultural property relief			✓	Tutorial note added regarding non-examinability of new APR & BPR rules
10	10	APR and BPR on death			✓	
11	11	'Fall in value' relief			✓	
12	12	The death estate		✓		'Long term UK resident' replaces 'domiciled' in section on exempt transfers
13	13	Nil Rate Bands			✓	
14	14	Restrictions on the deduction of debts	✓			'Long term UK resident' replaces 'domiciled' and definition of 'excluded property' updated
15	15	IHT valuation rules		✓		'Long term UK resident' replaces 'domiciled' in section on foreign assets
16	16	Quick succession relief			✓	
17	17	Post mortem reliefs			✓	

18	18	Gifts with reservation of benefit	✓			'Long term UK resident' replaces 'domiciled' and definition of 'excluded property' updated
19	19	Double charges relief		✓		'Long term UK resident' replaces 'domiciled' and scope of POAT charge updated
20	20	Pre-owned Assets			✓	
21	21	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'.
22	22	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.
23	23	IHT on UK residential property		✓		These rules now apply to individuals who are not long-term UK resident (rather than to individuals who were non-UK domiciled before April 2025).
24	24	Deeds of variation			✓	
25	25	Grossing-up of legacies			✓	
26	26	Double grossing			✓	
27	27	Section 39A IHTA 1984			✓	

28	28	The 36% lower rate – advanced aspects			✓	
29	29	Inheritance tax administration	✓			'Long term UK resident' replaces 'domiciled' and scope of excepted estate updated
30	30	Payment of tax and the instalment option			✓	
31	31	Heritage property			✓	
32	32	Woodlands			✓	
33	33	Inheritance tax avoidance			✓	
34	34	Inheritance tax planning	✓			'Long term UK resident' replaces 'domiciled' where relevant

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	Relevant property trusts – Added property			✓	

8	8	Relevant property trusts – Further aspects	✓			Explanation of excluded property trusts updated and new Illustration added Deduction of liabilities updated for new definition of excluded property
9	9	Accumulation and maintenance trusts			✓	
10	10	Other trusts for children			✓	
11	11	Interest in possession trusts – IHT issues		✓		'Long term UK resident' replaces 'domiciled' in section on IIP trusts created on death
12	12	Interest in possession trusts – Further aspects			✓	
13	13	Trusts for vulnerable beneficiaries and disabled persons		✓		CGT rates updated
14	14	Annuities			✓	
15	15	Capital gains and UK trusts		✓		CGT rates updated
16	16	CGT and UK trusts – Further aspects		✓		CGT rates updated

17	17	Trust income taxed on the settlor			✓	
18	18	Businesses and the settlements legislation			✓	
19	19	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
20	<i>n/a</i>	Overseas trusts – income tax issues	✓			Residence of trusts updated and s.720 charge clarified. Valuation of capital payments explained in detail.
21	<i>n/a</i>	Overseas trusts - general principles of CGT	✓			Explanation of emigration charge clarified. Explanation of status of trust assets as excluded property updated.
22	<i>n/a</i>	Overseas trusts – further aspects of CGT	✓			Rules on transfers to close family members and on onward gifts updated. IHT trust charges on change in status of excluded property updated.
23	<i>n/a</i>	IHT and Overseas trusts	✓			Brand new chapter
24	<i>n/a</i>	Beneficiaries and the FIG regime	✓			Brand new chapter
25	24	Bare trusts			✓	

26	25	Estates in administration		✓		'Long term UK resident' replaces 'domiciled' in section on taxation of estates and CGT rates updated
27	26	Beneficiaries of deceased estates			✓	
28	27	Tax planning using trusts		✓		CGT rates updated Sections on excluded property trusts, trust residence and tax planning using offshore trusts updated

INCOME TAX & 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 capital gains tax		✓		<p>Change in rates of CGT from 30 October 2024 (10% to 18% and 20% to 24%)</p> <p>Separate rate for residential property abolished from 30 October 2024.</p> <p>Detail added re anti-forestalling provisions in respect of increase in rates of CGT.</p>
7	7	Calculation of capital gains			✓	
8	8	Business asset disposal relief		✓		<p>Change in rate of BADR from 10% to 14%.</p> <p>Furnished holiday lettings (FHL) regime abolished from 6 April 2025. Disposals of FHL properties from 6 April 2025 do not qualify for BADR.</p> <p>Detail added re anti-forestalling provisions in respect of increase in rates of CGT applying to gains eligible for BADR.</p>
9	9	Relief for capital losses			✓	
10	10	Reporting of gains and payment of CGT			✓	
11	11	Part disposals			✓	

12	12	Sales of leases			✓	
13	13	Grants of leases			✓	
14	14	Grants of leases – advanced aspects			✓	
15	15	Chattels			✓	
16	16	Valuation, connected persons and inter spouse transfers			✓	
17	17	Shares and securities – matching rules			✓	
18	18	Bonus issues and rights issues			✓	
19	19	Sales of rights			✓	

20	20	Takeovers and reorganisations		✓		Detail added re anti- forestalling provisions in respect of elections to disapply share-for-share exchange rules.
21	21	Gilts and QCBs			✓	
22	22	Earn-outs and deferred consideration			✓	
23	23	Gift relief		✓		Following abolition of FHL regime from 6 April 2025, FHL are not a trade for the purposes of gift relief
24	24	Gift relief – restrictions			✓	
25	25	Gift relief – further aspects and exchanges of assets		✓		References to FHL removed
26	26	Private residence relief			✓	
27	27	PRR – further aspects			✓	
28	28	Assets lost or destroyed			✓	
29	29	Compensation for assets damaged			✓	