IMPACTS OF BUSINESS PROPERTY RELIEF REFORMS ON UK FAMILY BUSINESSES: A QUALITATIVE LONGITUDINAL CASE STUDY ANALYSIS

A Cebr Research Report for the Family Business Research Foundation

NOVEMBER 2026

Cebr

Family Business Research Foundation

ABOUT THE FBRF

The Family Business Research Foundation was established as a registered charity (no. 1134085) in 2009 to foster greater knowledge and understanding of family firms, their contribution to the UK economy and society, and the key challenges and opportunities that they face.

The Foundation is an organisation uniquely focused on understanding the UK family business sector. The results of our research have become one of the primary sources of evidence on the impact of family companies in the UK and are relied upon by government, family businesses (as well as their advisers), organisations, academics and researchers to help underpin their decision-making and actions.

The Charity aims to help grow a strong and thriving UK family business sector by expanding the knowledge and understanding of the business and their needs through research, analysis and evidence-based guidance.

We aim to ensure that the best data possible is available on UK family businesses. We support and engage researchers and academics working in this field and carry out research focused on the areas of greatest impact on UK family businesses.

The Charity is not trying to replicate corporate research done elsewhere but focuses on the effect of family ownership on companies' operations and its impact on the economy and society. This is done for the public benefit and all our findings and publications are shared on an open-source basis, free of charge. The Family Business Research Foundation's publications are designed to create a better understanding of family business, for the benefit of all.

For further information about the Family Business Research Foundation please visit fbrf.org.uk.

ABOUT Cebr

The Centre for Economics and Business Research (Cebr) is an independent economics consultancy, founded in 1992 and based in London. For over 30 years, Cebr has provided robust, evidence-based research and analysis to hundreds of private and public sector organisations in the UK and internationally, including government departments and agencies, multinational corporations, trade and professional bodies, and charities.
Its core services include macroeconomic forecasting, economic impact analysis, policy research and thought leadership. Cebr's forecasting, research and analysis are widely cited across international media, business and policy discourse.

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FOREWORD

A message from the Chair of the Project Steering Group

The reforms to Business Property Relief (BPR) that took effect in April 2026 marked a dramatic change to the longstanding inheritance tax treatment of family businesses. Research into the likely or actual effects of this significant policy change on the leading form of business ownership in the UK and in turn the wider economy is extremely limited.

I am pleased to introduce *Impacts of Business Property Relief reforms on UK family businesses: A qualitative longitudinal case study analysis.* This new report by the Centre for Economics and Business Research (Cebr) evaluates how the reforms to BPR are affecting family businesses. It follows a sample of family businesses over eight months spanning the implementation of the reforms and draws on interviews with experts in tax, law and accountancy.

The report highlights several findings. Many of those interviewed expected the business itself to have to fund shareholders' inheritance tax, and building cash reserves has become a priority. Fortunately, core investment to date appears to have remained intact, but some firms have already deferred expansionary investment projects.

The impact of the reforms varied more with a firm's ownership, with greater immediate salience amongst firms with older owners or more concentrated ownership, rather than with sector or size. The policy change has accelerated succession planning in some instances, often through earlier gifts of shares, bringing both new risks and opportunities.

Uncertainty – above all about how the policy will be implemented and businesses will be valued – remains an obstacle to planning and is likely exacerbating any negative effects arising from the reforms.

The research is qualitative, and it explains how and why businesses responded rather than the frequency of responses. Within those limits, it offers an in-depth and close-up view, over time, of how firms are responding to the reforms as they take effect.

The long-term effects of the reforms will take time to emerge. But this report provides a careful early account of how family businesses are responding and makes a valuable contribution to the related economic policy debate. I am grateful to the businesses and advisers who gave their time and spoke so openly, and I hope you find the report as useful as I have.

William Barnett CBE
Chair of the Steering Group for the FBRF's Business Property Relief Research Programme
Chief Executive, W&R Barnett Limited

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EXECUTIVE SUMMARY

This report sets out Cebr's research, commissioned by the Family Business Research Foundation (FBRF), into the impacts of Business Property Relief (BPR) reforms on UK family businesses. At the 2024 Autumn Budget, caps were introduced to BPR, which had previously allowed owners to pass on any value of qualifying business assets to heirs free of inheritance tax (IHT). Caps were initially set at £1 million and eventually settled at £2.5 million, with business assets of value above this allowance taxed at an effective rate of up to 20 per cent.

ABOUT THIS RESEARCH

Cebr's research consisted of 50 in-depth interviews with family businesses and experts (across taxation, law and accountancy) over an eight-month period across the implementation of the BPR reforms. The project's qualitative, longitudinal approach allowed us to evaluate the impacts of the changes on the family business sector, across firms and over time.

Our research therefore focused more on establishing the mechanisms through which impacts occurred than the prevalence of each of these changes across the sector. Still, we present here a full account of the strongest, most relevant insights that emerged through conversations with businesses and experts. In Section 11, we summarise recommendations for policymakers, family businesses and researchers on the back of these findings.

IMPACTS VARIED WITH OWNERSHIP CIRCUMSTANCES, AND MANY INTERVIEWEES EXPECTED INHERITANCE TAX TO BE FUNDED BY THE BUSINESS

A clear pattern across the interviews was that impacts varied significantly by businesses' specific ownership circumstances, demographics and structure. For businesses with older owners, for instance, popular options like gifting or insurance became unviable, while businesses with very concentrated shareholder bases faced large bills on the assets each shareholder owned. Across different scenarios, family firms expected to have to fund shareholders' IHT liabilities by building cash reserves within the business, which could later be accessed through share buy-backs or similar approaches.

BUSINESSES WERE KNOWLEDGEABLE ABOUT THE REFORMS, ALTHOUGH ADVISERS WERE RELIED ON FOR TECHNICAL DETAILS

Almost all the businesses interviewed were aware of the BPR reforms and how they could impact their business, although it is worth mentioning that those opting to participate in voluntary research such as this may also have been more knowledgeable than the average family firm (i.e. there may have been some degree of selection bias). Still, for meaningful engagement with the technical detail of the reform, only a few businesses did not rely on professional advisers. Adviser engagement tended to be more generalist and relationship-driven rather than specialist. Advisers interviewed across taxation, legal and accountancy firms reported increased engagement with BPR from their existing clients, as well as an expansion in their client base following the reforms.

SUCCESSION PLANNING ACCELERATED

Many family firms were quick to redraft and rethink their succession strategies once the reforms were announced, with a smaller number even moving pre-emptively. Multiple experts described helping clients redraft their succession plans or set new ones in place where not previously drafted. The most often-discussed instrument for minimising IHT exposure was the gifting of shares to younger generations. Since these gifts are only passed on completely free of IHT when they are made at least seven years ahead of the donor's death, the pre-implementation period saw a surge in ownership transfers through gifting.

NEW RISKS SURROUNDED ACCELERATED TRANSFERS

This accelerated gifting represented the end of the succession upon death model described by some experts, where business owners were incentivised to hold on to assets until death, at which point heirs could benefit from BPR and capital gains tax (CGT) uplifts. Instead, succession timelines have compressed for many businesses. This created new risks, including consequences of mortality within the seven-year window, premature transfers to the next generation or loss of dividend income.

UNCERTAINTY REMAINED AN OBSTACLE TO SUCCESSFUL PLANNING

Considerable uncertainty still existed, particularly for businesses unsure about the valuation methodology that will be used by HMRC to calculate their IHT bill and whether it will include provisions such as minority shareholder discounts. For these businesses, the risks around planning increased, as they must work from assumptions around the size of their potential IHT bill. For businesses with longer planning horizons, for whom succession events are less relevant at the moment, another source of uncertainty revolved around how long the current regime will be in place for.

CORE INVESTMENT HELD FIRM, BUT EXPANSIONARY INVESTMENT STARTED TO SUFFER

Many interviewees expected having to meet future liabilities by exiting funds from the business, and thus described increasing liquidity as a strategic priority. While many interviewees did not foresee this having an impact on their current investment strategy, others expected a considerably negative effect, as funds otherwise reinvested would have to be diverted to build cash reserves. To date, few reported having reduced core investment, with most effects concentrated around expansionary projects deferred due to the reforms. In the long run, however, investment effects could continue to mount as liquidity is reprioritised.

IMPACTS ON GROWTH AND EMPLOYMENT REMAINED MODERATE FOR THE TIME BEING

Even in cases where expansionary projects were deferred, growth effects remained moderate. While, in the long run, many firms expected consistently lower investment to end up impacting growth, for the time being few had revised their short-term targets. On the other hand, almost no businesses expected the BPR reforms to impact the size of their workforce, other than indirectly through lower expansionary investment.

COMMITMENT TO FAMILY OWNERSHIP HELD FIRM AMONG INTERVIEWEES

Perhaps the most widely confirmed finding across the businesses interviewed was the firm commitment to family ownership. No businesses we spoke to were actively considering the sale of the family business at the time of the interview, with almost all thinking of this option as a 'last resort'. Multiple firms described the reforms as disruptive, forcing them to spend a considerable amount of resource and time redrafting succession plans and consulting with advisers. Many firms were sceptical that the amount of disruption caused by the reforms was justified, particularly given the very moderate tax receipts they are expected to generate.

1. INTRODUCTION

This report sets out Cebr's research, commissioned by the FBRF, into the impacts of Business Property Relief (BPR) reforms on UK family businesses. It presents the full findings of our qualitative, longitudinal case study analysis, underpinned by 50 in-depth interviews: 40 with family businesses and 10 with experts across taxation, law and accountancy. Data collection was conducted over an eight-month period that spanned the implementation of the BPR reforms.

The research evaluates initial responses to and impacts of BPR reforms across the family business sector, contributing to the business, political and academic discourse around a significant policy issue that has emerged over the last two years. The preliminary nature of this work should however be stressed. Given data collection timelines, only impacts in the immediate run-up to and aftermath of the reforms can be analysed, and further research may be required to assess longer-term implications.

1.1 POLICY CONTEXT AND BACKGROUND

In the UK, BPR has historically allowed family business owners to pass qualifying business assets to their heirs at a reduced rate of inheritance tax (IHT) since its introduction in 1976, and free of IHT after relief reached 100 per cent in 1992. Ahead of the 2024 Autumn Budget, most qualifying business assets were eligible for full (100 per cent) relief.

The 2024 Autumn Budget announced significant reforms to the policy regime that would take effect in April 2026, the most consequential being a cap on BPR claimable. As originally announced, only the first £1 million in business assets would have been eligible for 100 per cent BPR, but this threshold was raised to £2.5 million in December 2025 prior to implementation of the policy. Any amount above the allowance qualifies for 50 per cent relief, imposing an effective tax rate of up to 20 per cent on the portion above the threshold (HM Revenue and Customs, 2026e).

Additional changes reduced BPR on listed shares treated as unquoted – Alternative Investment Market (AIM) listed[1] – from 100 per cent to 50 per cent in all circumstances. The 2025 Autumn Budget made any unused amount of the allowance (at that point still £1 million) transferable to a surviving spouse or civil partner. Transferability applies to the higher allowance, so a married couple or civil partners may pass on up to £5 million of qualifying property at 100 per cent relief. Separately, the 2024 Autumn Budget set out that liabilities may be paid by equal annual instalments over 10 years, interest-free, for all property eligible for agricultural or business property relief.

1.2 PURPOSE AND CONTEXT FOR THE RESEARCH

The FBRF commissioned Cebr to build a qualitative evidence base around responses to and impacts of the BPR reforms on UK family businesses, before and after their implementation. Prior research in this space was largely quantitative, undertaken from a high-level, macroeconomic perspective and conducted in advance of implementation. Our work therefore builds on that evidence base with a more detailed, nuanced qualitative perspective, sourced directly from family businesses, while assessing the actual post-implementation environment. This evidence serves to contribute to the wider business, academic and political discourse and inform future policymaking.

1.3 REPORT STRUCTURE

Evidence across both waves of family business interviews and the expert interviews was analysed and presented thematically across six overarching themes, which also form the structure of this report.

Prior to the presentation of our analysis, Section 2 details the full methodology employed to deliver this research, covering outreach, case selection, data collection, analysis and presentation. Section 3 then sets out the literature review, assessing the existing evidence base to provide the framing and foundation for our research.

The following six sections present the findings of Cebr's longitudinal case study analysis in full, organised by theme. Section 4 covers knowledge of the reforms, professional advice and preparedness, and Section 5 examines ownership structure and succession planning. Section 6 sets out insights on investment and asset allocation, Section 7 turns to growth, expansion and decision-making, and Section 8 presents findings on workforce and recruitment. Section 9 completes the core analysis with broader assessments and personal responses, before Section 10 draws our findings together across all six themes. Section 11, finally, presents the report's central recommendations for policymakers, researchers and other businesses.

2. METHODOLOGY

This section details Cebr's methodology, spanning outreach, case selection, data collection, analysis and presentation. The methodology was employed to deliver comprehensive, robust research that addressed and evaluated the following core research questions:

- How is the family business sector responding to, preparing for and acting upon reforms to the BPR policy landscape?
- What are the expected impacts of the BPR reforms on UK family businesses, across all operational domains and a broad timeline?
- How do potential responses to and impacts of the BPR reforms change across different family businesses, according to size, sector, ownership structure, age or other factors?
- How do potential responses to and impacts of the BPR reforms change and progress over time, throughout the implementation period?
- What is the perspective and view of subject matter experts around the BPR reforms?

To address these questions, Cebr's approach comprised an extensive data collection process. Data collection was composed of a total of 50 in-depth, semi-structured interviews. This included 40 interviews held with 22 family businesses across two waves straddling the implementation of the BPR reforms, and a further 10 interviews with subject matter experts throughout the period.

Following this, Cebr ensured that collected data addressed research questions robustly through an analytical approach underpinned by two core frameworks. First, we employed the thematic analysis framework of Braun and Clarke (2006) to collect, analyse, organise and structure interview data. Second, the family business component followed the longitudinal case study framework, set out in a policy context by Molloy et al. (2002) or more recently in the context of interviews by Vogl et al. (2018). Our analytical approach within these broader frameworks is set out in detail in sections 2.4 and 2.5.

2.1 OUTREACH

Outreach and recruitment was the first stage of this research and formed the foundation of subsequent data collection. Given the difficulties of recruiting family businesses to in-depth, longitudinal research, an extensive approach to case identification was required, comprising a clear engagement strategy and recruitment process.

2.1.1 Engagement strategy

Cebr researchers produced an initial engagement strategy at project inception, setting the scope of outreach and defining units of analysis, the participants sought and the criteria for case selection. It also established a plan for purposive case identification and recruitment. Alongside this we produced a range of supporting outreach materials: a project webpage carrying key information, LinkedIn content to promote the research, email templates for direct outreach, and a Google form to process sign-ups and collect participant details.

2.1.2 Recruitment process

Cebr then recruited businesses to build a longlist. We adopted a broad approach to build the widest possible pool of eligible cases from which to select purposively, promoting the opportunity directly with 40–50 FBRF business contacts and more than 250 family businesses identified through primary desk-based Cebr research. We also approached approximately 100 UK business groups and trade associations to request the opportunity was shared with their membership. An outreach tracker organised our approach and stored details of all sign-ups, constituting our initial business longlist.

Expert outreach was more direct, driven by the networks of FBRF and the project steering group (SG). Cebr approached subject matter experts across the tax, legal, financial, policy and academic spaces by email, or via introductions made by FBRF and the SG.

2.2 CASE SELECTION

A selection process then refined the longlist into a shortlist, and ultimately the full scope of business and expert cases interviewed across both waves.

2.2.1 Approach to case selection

In line with the proposal, engagement strategy and longitudinal case study best practice (Molloy et al., 2002), Cebr implemented a purposive sampling strategy, whereby cases were deliberately selected from the longlist for characteristics relevant to the research question rather than drawn at random. Cases were also selected to generate variation across business size, sector and region. Rather than mirroring or achieving strict representation of the composition of the UK family businesses more widely,

firms were selected based on potential exposure to the BPR reforms and characteristics that were expected to shape their experience of and responses to them. Selecting for this variation allowed the research to explore the range and limits of that experience rather than its frequency.

As an underlying, core criterion, Cebr explicitly targeted cases qualifying as family businesses (under the EU definition)[2] that would be affected by the BPR reforms (those with business values above the threshold). Sampling and case selection was undertaken in collaboration with FBRF and the SG.

2.2.2 Wave 1 cases

We then contacted and scheduled interviews with the selected family firms. We successfully engaged a total of 22 UK family businesses in the first wave, conducting one interview per business and therefore yielding 22 total business cases. All interviewees held senior management or ownership roles. Of the 22, 20 held ownership stakes in the firms they represented, while the remaining two held senior executive management roles only. In terms of specific roles and positions, business interviewees comprised six chairs, five managing directors, four chief executive officers, two managers and one interviewee in each of the following roles: chief financial officer, partner, executive chair, director and executive director.

Wave 1 cases spanned nine major sectors of the UK economy, with a concentration in wholesale and retail trade, manufacturing, and transportation and storage. These three sectors contained five, four and three interviewed cases respectively. Following this, we interviewed two family firms from each of the accommodation and food services, construction, real estate activities, and financial and insurance activities sectors. One family business case was also interviewed from the professional, scientific and technical activities and information and communication sectors. Of the 22 total family businesses, four were unincorporated while the remaining 18 were private limited companies.

Business cases also spanned the full breadth of business sizes, with at least one firm in every major size band; we interviewed four businesses in each of the micro (1–9 employees) and small (10–49 employees) categories and six mid-sized (50–249 employees), while coverage of large businesses (250–499 employees) was slightly weaker at two. Coverage at the top end was very strong, with six very large family businesses (500+ employees).

Larger businesses feature more prominently here than they do in the UK economy as a whole. This is largely intentional and a function of policy mechanics rather than incidental. Given the asset and value thresholds for IHT, larger family businesses are those most directly exposed to the BPR reforms, and their inclusion was central to the research purpose.

The Wave 1 cases were more geographically concentrated, clustering towards the South East with eight cases headquartered in this region, followed by the North West and East Midlands with three cases each. Two cases were headquartered in each of Yorkshire and the Humber, London and Scotland, while one case was interviewed from both Wales and the West Midlands. Given the national scope of the BPR reforms, their uniform application as a UK-wide tax policy, and prior experience with similar analysis, the impacts of the slight geographic clustering are likely to be minimal. Nevertheless, cases still spanned eight of the 12 UK International Territorial Level 1 geographies.[3]

2.2.3 Wave 2 cases and continuity

Cebr set out to interview the full breadth of eligible Wave 1 cases again in Wave 2, in line with the longitudinal framework and to preserve continuity and comparability. Follow-up interviews achieved a total of 18 family business cases in Wave 2, as 17 wave 1 businesses were successfully re-engaged, with one business interviewed twice in Wave 2.

The reduction reflects a small number of business cases dropping out of the research between waves. This is to be expected in qualitative research of this nature and was identified as a research risk at proposal stage. Following discussions with FBRF and the SG, the decision was made not to recruit additional businesses that had not participated in Wave 1, to prioritise the longitudinal structure and depth that forms one of the core purposes of the research.

Five of the original 22 Wave 1 businesses did not participate in Wave 2, so data collection generated 17 longitudinal business cases with full insights across both waves. Extensive attempts were made to re-engage the firms that did not respond to participation requests, including repeated email and telephone outreach over several months. Where this was unsuccessful, we were able to identify reasons for non-participation, set out below with potential interpretations:

- One interviewee withdrew from the research as their involvement with the given family business ended between interview waves.
- Two interviewees had believed their businesses to be in scope prior to Wave 1, but it became apparent in discussion that all their business assets were non-qualifying for BPR (and therefore unaffected by changes to it). This illustrates a finding from Section 4, that while awareness of the BPR reforms was generally high, detailed understanding of policy mechanics was far weaker.

- One interviewee had believed their business to be in scope, but between waves realised their valuation did not in fact cross the £2.5 million threshold. This reflects a recurring finding in Section 4 that uncertainty over business valuation was widespread, and that firms were often still working to establish a valuation during the research period.

- One interviewee stated no change in their business' position, perspective or approach between interview waves, and therefore did not see value in committing time to a second interview. This is potentially indicative of the long-term planning, ownership and succession timelines in some firms that limit the change that can be observed.

Business drop-offs were therefore not random. Three of the five departures were because firms had little or no exposure to the reforms (all three were firms with 1–9 employees) and a fourth reported no change between waves (a business of 50–249 employees). Because this process removed low-exposure cases, the surviving 17 longitudinal cases are more exposed on average than the baseline 22, as well as larger in size. Wave-to-wave comparisons in this report should be interpreted with that in mind. Some of the apparent intensification of concern and activity between waves potentially reflects the changing composition of the business cases rather than purely changes within firms.

Marginally offsetting business drop-offs, we secured one additional Wave 2 interview within an existing longitudinal case. We interviewed the chief financial officer of this firm across both waves, holding a management role but no ownership, who then referred us to the business owner and chair for the second wave. This provided a valuable alternative perspective, with a total of 18 cases included in Wave 2.

2.2.4 Expert cases

Supplementing the business interviews was a further set of interviews with subject matter experts in family business and BPR specifically. Cebr interviewed 10 experts, drawn predominantly from tax, legal and business advisory practices, with coverage also spanning audit, finance and consulting. Considerable effort was made to broaden this range through further engagement with those in policy, economics and academia, but this group proved difficult to reach. Expert interviews therefore tended towards advisers who interacted with family firms on a client basis.

The composition of the expert sample carries both strengths and limitations for interpretation. Advisers sit close to the business detail, as they observe what firms actually do rather than what they say they intend, across a client base far wider than the 22 businesses interviewed here. They can therefore speak to the family firm patterns, dynamics and mechanics with a detail and breadth few owners can, and provide a valuable test of businesses' self-reporting. Equally, advisers are less well placed to judge the wider economic effects of the policy, and because no economists or policy specialists were interviewed, the expert evidence is better suited to assessing how firms are responding than to evaluating the reforms' net economic effect.

2.3 DATA COLLECTION

Cebr undertook a comprehensive fieldwork programme to collect data from the family business and expert cases, set out below.

2.3.1 Interview programme

A semi-structured interview approach was adopted, with the same interview schedule, operationalising the research themes and questions, used across all cases to ensure consistency in data collection. All cases were assessed through one-hour, one-to-one online sessions, conducted and transcribed over Microsoft Teams. These followed a detailed discussion guide covered below. Wave 1 was conducted pre-implementation between December 2025 and March 2026, and Wave 2 post-implementation between May and July 2026. Expert interviews were conducted gradually throughout this period.

2.3.2 Developing discussion guides

Comprehensive discussion guides underpinned our data collection. Such guides provide structure and consistency to interview-based approaches and ensure discussions cover all themes, questions and data points required by the research. All interviews followed these guides as a core framework, with flexibility to deviate and explore relevant points in line with interviewees' answers.

The guide revolved around five core themes: knowledge of the BPR reforms and advice sought; ownership structure and succession planning; investment and asset allocation; growth, expansion and decision-making; and workforce and recruitment. Broader, miscellaneous insights were grouped under a sixth theme: broader assessments of BPR reforms and personal responses. This framework ensured interviews were comprehensive but focused, and also formed the structure of the analysis sections of this report. Guides were tailored in line with FBRF and SG feedback. Appendix 1 reproduces the Wave 1 discussion guide.

2.3.3 Adjusting and tailoring discussion guides

Baseline guides were then adjusted for both Wave 2 and expert interviews. Integral to the longitudinal design, Wave 1 transcripts and notes were reviewed prior to each Wave 2 interview to tailor the guide to the individual firm and analyse changes in Wave 1 insights. Similarly, further research preceded each expert interview, tailoring guides to their specific field of expertise.

2.3.4 Ethics, consent and anonymisation

Participation was voluntary throughout and informed consent was obtained in every case before interviews in both waves. Participants were informed the research would culminate in a public report for FBRF, their contributions would inform written findings and be quoted in anonymised form, and that they could decline any question or withdraw at any stage without giving a reason. The withdrawal route operated in practice, as one business withdrew between waves when the interviewee's involvement with the firm ended.

Interviews were recorded and transcribed within Microsoft Teams. Transcripts, recordings and coding materials are held securely by Cebr as data controller, accessible only to the project team, and were processed in line with Cebr's data retention policy. All business and expert insights are presented strictly anonymously throughout this report. Quotations are attributed by sector, generation and size band only, and identifying details within quotations have been removed or generalised.

2.4 ANALYSIS

Our analysis converted the interview data into a structured dataset, in which all substantive interview content was identified, labelled and grouped with similar points, built for systematic comparison across businesses, between waves and against expert testimony. This structured dataset took the form of a hierarchy of individual codes, sub-themes and overarching themes. Cebr's analytical process followed the six-phase thematic analysis framework of Braun and Clarke (2006), applied longitudinally per Molloy et al. (2002) and Vogl et al. (2018).

2.4.1 Coding transcripts

The interview data was thematically analysed. First, interviews were recorded and transcribed automatically in Microsoft Teams. Each transcript was reviewed in full before coding began (familiarisation being a distinct analytical phase set out by Braun and Clarke, 2006) and substantive content was then coded comprehensively to produce a coding frame for each interview. Transcripts were coded in unedited form, with transcription errors noted in the coding frame.

Codes were defined and applied in a consistent manner – short (up to 15-word) descriptive noun phrases pitched at the specific claim rather than the general concept, anchored to an extract of no more than 45 words. Extracts retained enough surrounding material to remain intelligible alone, since the loss of context when quotations are cut too short is a well-recognised weakness in coding practice. Coding labels made the standing of points explicit (actions taken, planned, considered, etc.) because the comparison between waves rests on distinguishing which anticipations became actions.

Wave 2 transcripts for repeat cases were then coded as within-case comparisons rather than fresh cases. Where appropriate, points were labelled unchanged, changed or new since Wave 1, as statements of no change were treated as findings, not null results. Coding was iterative: the code log was reviewed after every five transcripts and importantly at the transition between waves, consolidating near-duplicate codes onto standardised labels and reallocating misplaced ones. Coding produced a total of 4,944 code applications across the 50 interviews, comprising 4,025 unique codes after all consolidation exercises.

2.4.2 Establishing, organising and reviewing themes

Codes were structured across a comprehensive theme and sub-theme framework to generate an organised, actionable dataset. The interview theme structure underpinned the hybrid approach Cebr adopted. The six overarching themes were deductive, deriving from the discussion guide modules, while the sub-themes beneath them were inductive and driven wholly by the interview data. Sub-themes were reviewed at Braun and Clarke's two levels (against their own collated extracts, and against the dataset as a whole) and merged, separated or reordered as necessary.

This generated 62 sub-themes, distributed largely evenly within the six overarching themes. The full structure of themes, sub-themes and definitions is set out in Appendix 2, along with tables of example codes and the distribution of code applications across the framework.

2.5 PRESENTING ANALYSIS

To ensure the analysis was presented in an engaging, manageable and intuitive manner, Cebr formalised the dataset into insights rather than individual codes. An insight represents a group of codes across businesses, waves and expert interviews supporting the same finding, conclusion or pattern. Each sits discretely within a sub-theme.

Insights were developed in five layers: the Wave 1 position, cross-case comparison at Wave 1, longitudinal progression between waves, cross-case comparison at Wave 2, and the expert perspective. This sequence follows Vogl et al.'s (2018) progression from cross-sectional to longitudinal comparison, and addresses Molloy et al.'s (2002) questions of whether change occurred, what changed, through what mechanism and why.

For brevity our reporting does not reproduce the coding framework in full; only the most significant, best-evidenced insights are presented. Our approach follows the principles of Buetow (2010) in that insights are primarily presented on the basis of importance and recurrence. To support this, some sub-themes have

therefore been merged, adapted or excluded, consistent with Braun and Clarke's (2006) position that what matters is what a theme captures in relation to the research question, not prevalence alone.

When discussing the findings, terms are used to give a relative indication of the extent to which views were expressed across the businesses and experts interviewed, in line with Neale et al. (2014). From most to least widespread: 'virtually all' describes views shared very widely across interviews, with minimal, isolated exceptions, while 'almost all' describes views shared by nearly every interviewee, with only occasional exceptions. 'Many' describes views expressed widely across the interviews and 'some' describes views raised by a notable group of interviewees but not widely held. 'Several' and 'multiple' describe views raised by a smaller but recurring group; 'a few' describes views raised by a small handful of interviewees; and 'few' emphasises that a view was uncommon. These terms are indicative of how commonly views arose within our interviews and do not denote prevalence across the general family business population.

2.6 USE OF ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) was leveraged in a deliberate and targeted manner throughout this research project, to improve efficiency across workstreams, extend the breadth and detail of the analysis, and strengthen the quality of outputs. In all cases AI supported rather than replaced researcher judgement, with analytical decisions, interpretation and conclusions remaining human-led. Specifically, large language model (LLM) tools were used for the following tasks:

- Full transcription of interviews within Microsoft Teams.
- Supporting in the transcript coding process: checking and verifying human-led transcript coding, conducting initial coding passes, processing codes and organising into a structured dataset format.
- Structuring and organising codes: reviewing coding frames and code logs iteratively, consolidating codes, development and adjustment of sub-theme structure, generation of insights from individual code applications.
- Report planning: generating indicative report plans and overviews from the coding framework and insights, sorting specific codes to support with extracts.
- Report quality assurance: proofreading and reviewing reporting outputs, contributing to adjustments, edits and rewording.

Data security and confidentiality were paramount given the sensitive commercial information shared by participants. Interview transcription was conducted within Microsoft Teams, and all other AI-assisted work within Cebr's secure Claude Team workspace, which operates under Anthropic's Commercial Terms of Service. Under these terms Anthropic does not train its models on customer content, and Cebr remains the data controller, retaining all rights to material submitted.

3. UK IHT POLICY LANDSCAPE AND EVIDENCE FROM OTHER COUNTRIES

This section presents the full literature review that Cebr conducted to form the foundation for this research. Cebr reviewed the available evidence and literature on IHT reform and the treatment of business assets within the IHT framework, revolving around three core themes: the UK policy context, cross-national comparisons and the effects of IHT reform.

The literature indicated that business continuity concerns were concentrated within a relatively small number of asset-rich estates, even as demographic change across Europe pointed to a rising volume of ownership transfers over the coming decades. It also showed that the reforms brought the UK closer to international norms while leaving it without the clawback provisions common among peers. The clearest quasi-experimental evidence, from Greece and Sweden, associated higher succession taxation with reduced investment, anticipatory building of cash reserves and lower rates of intra-family succession.

3.1 REFORM AND BUSINESS CONTINUITY

3.1.1 Demographic change and business continuity

At the point BPR was introduced in 1976, its main purpose was to prevent the forced sale of family businesses to cover large Capital Transfer Tax (a precursor to IHT) bills after the death of the owner (Kemp, 2025). Starting with a 30 per cent relief, by 1992 this had increased to 100 per cent, justified by John Major's government on the basis of allowing family businesses to be passed down through generations, avoiding a forced sale or break-up of the business to meet IHT liabilities (Kemp, 2025).

Business continuity is a concern where otherwise solvent family businesses cannot continue operations due to existentially large IHT liabilities. Available options, such as selling to institutional investors or private equity firms, might involve downsizing the workforce. While in a perfectly functioning market labour would be freed up for more efficient industries or businesses, where family businesses are large employers in local or rural areas other employment opportunities may not be readily available.

Whether business continuity becomes a concern for government therefore depends on both the share of family businesses for which IHT liabilities pose an existential threat, and the number expecting to undergo succession at a given time.

The latter is likely to increase over the next couple of decades as UK demographic trends continue to play out. EU evidence pointed to the increasing importance of business continuity as older generations of owners retire. In Germany, 30 per cent of business owners are over 60, while the number of potential successors has been declining for years due to demographic change (Network of SME Envoys, 2024). In Austria, over 51,500 businesses with at least one employee are projected to be transferred in the 2020s, with more than 692,000 jobs potentially at risk over the next decade if those transfers fail (Austrian Economic Chamber, 2025).

The same Austrian report highlighted that where business transfers are successful, the effect could be transformative: 61 per cent of taken-over companies managed to increase turnover, 36 per cent created new jobs, and 60 per cent increased investment, although it did not specify the period of time over which this happened. About 55 per cent of these transfers happened within the family, although this trend has been in decline (Austrian Economic Chamber, 2025).

Evidence from UK family business membership bodies pointed to a considerable share of family businesses considering selling (12 per cent) or liquidating (7 per cent) to mitigate potential impacts of the BPR reforms (CBI Economics and Family Business UK, 2025). While it is possible that some of these businesses were already likely to sell at the point of succession, it is probable some of them were also facing large liquidity constraints that made continuation difficult. Survey evidence from the manufacturing sector similarly finds that 22 per cent of family-owned manufacturers are considering a sale to an overseas buyer and 18 per cent a sale to a UK-based buyer, although it is difficult to attribute this solely to the BPR reform (Make UK and Bishop Fleming, 2026).

3.1.2 Effects of reform on UK business continuity

The structure of the BPR reforms does considerably mitigate the impact of IHT on business continuity. The increase in the relief cap from £1 million to £2.5 million and the introduction of spousal transferability have reduced the expected number of estates paying more IHT in 2026–27 (including those claiming on agricultural property) from around 2,000 to 1,100 (HM Treasury, 2026). For those who do still face liabilities, the announced ten-year, interest-free instalment plans may alleviate liquidity pressures, while incentivising businesses to remain profitable over the decade over which they are expected to make repayments.

It is worth noting that recent research from CenTax (Advani et al., 2024) found that a majority of BPR claims on shares were made by 'passive' investors who had not been active in the management of the business in at least five tax years before their death. They argued that if these investors were forced to sell their shares due to the BPR reforms, impacts on business continuity should be limited given their passivity. This argument assumes that selling shares is a viable option in the absence of relief, which may not be the case particularly for minority shareholders. In those cases, liquidity might need to be obtained from the business which, depending on the size of the liability, could threaten continuity.

Raising the relief threshold also narrows the tax base, reducing expected revenue. The BPR reforms are now estimated to bring £300 million in tax receipts to the Exchequer in 2029–30, down from £520 million before the relief cap was raised (HM Treasury, 2026). As the expected revenue gain falls, it becomes increasingly relevant to ask whether that gain outweighs the disruption to businesses now facing an IHT liability on succession, and the administrative cost of implementing a more complex regime.

To the extent that the BPR reforms seriously compromise investment incentives, the net effect on the economy may be negative. Since those estates still affected are likely to be of larger value, their investment decisions could have notable implications across the economy. These estates are few in number: in 2023-24, 50 per cent of the total cost of BPR was accounted for by just 109 estates (HM Revenue and Customs, 2026c). The overall impact of the reform therefore depends, to a large extent, on the reactions and behaviour of these businesses.

3.2 INTERNATIONAL TAX TREATMENT OF FAMILY BUSINESSES

Most countries in the OECD tax family-owned businesses preferentially, offering some form of special treatment for heirs under specified conditions and conditional exemptions (OECD, 2021). This is usually justified as supporting family business successions and allowing businesses to survive a founder's death.

Multiple OECD member countries also offer preferential treatment of business assets, typically requiring a minimum time of ownership of the assets following succession. Italy, Spain, Germany and Ireland, among others, continue to offer relief on business assets ranging from 85 to 100 per cent (OECD, 2021).

In the extreme, Sweden decided to abolish all IHT and tax on gifts in 2004 and 2005. Andric et al. (2026) found that for firms with potential intra-family succession, the abolition led to improvements in growth, earnings, profitability and sales. They argued that, with the taxes in place, such firms were incentivised to accumulate capital for future liabilities by retaining more earnings and holding higher liquidity. Following the abolition, Swedish family firms showed higher liquidity and shareholder equity, alongside lower leverage.

Ahead of the BPR reforms, the UK sat within a class of countries which, despite high tax rates on family business transfers, also offered generous relief (KPMG, 2023). This group includes South Korea (with a cap on relief available), the US (mostly through a large federal estate-tax exemption) and France (where Dutreil Pact relief is only 75 per cent).

The UK's combination of a high headline rate and generous relief was therefore not unusual internationally, although the scale of revenue forgone was. The OECD found revenue forgone from BPR ahead of reform was substantial and above that of fellow member countries, with a majority of the benefit accrued by the wealthiest estates (OECD, 2021).

The reduction of preferential treatment of unlisted shares in the 2024 Autumn Budget brought the structural design of the UK's IHT framework closer in line with that of its international peers. The absence of clawback provisions where assets are sold soon after inheritance, however, remains unusual internationally.[4] These are present in many international peers, including a considerable number of EU member states, Japan, Korea and the US (Kemp, 2025).

3.3 POTENTIAL EFFECTS OF THE IHT REFORMS

We summarise the literature on the effects of IHT reforms globally across three topics: investment, business ownership and tax planning. For each we outline considerations for the UK context and how our interview evidence contributes.

3.3.1 Investment

The argument often advanced for how a hike in IHT negatively impacts business investment is two-fold. First,

owners may extract funds from the businesses to meet the tax liability (OECD, 2021). Second, it is possible that businesses, knowing that they will face a tax liability but not knowing exactly when succession will happen and hence when it will be triggered, build up liquidity so that they are able to meet the liability when it comes. This cash reserve might be created or inflated through funds that would otherwise have been directed towards increased investment, dividends or employee salaries. Other arguments include businesses holding back investment during times of uncertainty regarding the IHT framework, or immediately during and after a transition period.

The most comprehensive test of these hypotheses is provided by Tsoutsoura (2015), exploiting a natural experiment created by a 2002 Greek policy reform that substantially reduced the tax rate on intra-family business transfers. Tsoutsoura compared firm performance for businesses transferred to family members against those transferred to non-family members, before and after the policy change was enacted.[5]

She found that, for family business transfers that happened ahead of the reform, investment fell from 17.6 per cent in the three years before succession to 9.7 per cent in the two years after – an implied fall of approximately 40 per cent of the pre-transition investment level (Tsoutsoura, 2015). These effects persisted for at least four years after succession, suggesting they were not simply a short-term adjustment. When succession taxes were reduced, the investment patterns of family and non-family succession firms converged, pointing to the distortion being removed.

At the same time, she found that, under high succession taxes, pre-transition family firms held 24.3 per cent more cash than firms transferred outside the family, consistent with anticipatory cash hoarding in preparation for a tax bill (Tsoutsoura, 2015). Post-transition, differences between cash reserves in firms transitioned inside and outside the family were small. The overall implication is that liquidity-constrained heirs used the company's liquid assets to pay the tax liability, draining reserves that could otherwise support investment.

Modelling by Krug and Langenmayr (2025), additionally, showed that this preferential treatment for family businesses may encourage more entrepreneurship and investment. Since inheritance taxes are a distinct form of taxation arising at the point of intergenerational succession, rather than during normal operations, this can induce liquidity constraints on an otherwise viable business and force it to sell ownership or assets. They recognised preferential treatment allows for passing on a larger business to heirs, although this might also lead to inefficiencies where heirs are not as effective as predecessors.

Additional evidence specific to the UK is available from the survey conducted by the Confederation of British Industry (CBI) and the Family Business UK (FBUK) following the 2024 Autumn Budget (CBI Economics and Family Business UK, 2025). This survey found that, even before reforms came into force, 55 per cent of family businesses paused or cancelled planned investments, 41 per cent deferred investment, and 23 per cent reduced headcount or froze recruitment. It is worth noting, however, that this survey was conducted ahead of the moderation measures announced in the 2025 Autumn Budget and in December 2025, and therefore likely overstates the expected impacts, as well as the fact that these impacts are mostly self-reported.

Our programme of interviews specifically asked businesses about their investment plans, attempting to ascertain the extent to which these would be short lived and attributable to policy uncertainty, versus longer term changes that could affect UK plc. The findings from our interviews are presented in Section 6.

3.3.2 Business ownership

Tsoutsoura also explored the impact of the Greek policy reform on family ownership. She found that, after the reform, family successions rose from 45.4 per cent to 73.9 per cent – a 63 per cent increase, implying that a more favourable climate for business succession within the family can meaningfully affect the rate of family ownership across the business population (Tsoutsoura, 2015).

Other research, however, has found that heirs tend to underperform relative to non-family successors, implying that high rates of family ownership may not be desirable from a productivity perspective. Using data from 355 CEO successions in publicly traded US corporations, Pérez-González (2006) found lower profitability and market-to-book ratios when incoming CEOs were related to the departing CEO by blood or marriage. Further research using data from Denmark and instrumental variable analysis found that family successions had a large negative causal impact on firm performance, with operating profitability on assets falling by at least 4 percentage points around CEO transitions (Bennedsen et al., 2007).

Still, research from the French stock market found family firms tended to overperform widely held corporations, not only in the case of family firms run by the founder, but also for those run by their descendants (Sraer and Thesmar, 2007). The literature on the productivity of family firms, therefore, ought to attract further, UK-specific research, to understand what the effects of transfers to non-family ownership might be.

Our programme of interviews assessed the extent to which the changes to BPR had influenced family decisions to sell

the business or pass it on to non-family members, where this was previously not considered. These decisions are, of course, key to understanding whether any productivity effects might follow from the BPR reforms.

3.3.3 Tax planning

An important part of assessing the effects of a tax reform is to understand how businesses might plan around it and, therefore, what the actual receipts are expected to be. Qualitative research from HMRC studied, in the UK context, the motivations, behaviours, and attitudes underlying the decision-making process on IHT, and the use of reliefs or exemptions in that process (HM Revenue and Customs and IFF Research, 2017).

HMRC found that many interviewees mostly had a limited understanding of IHT and the relevant reliefs, with only a few possessing solid knowledge of agricultural property relief (APR) and BPR provisions. At the point interviews were conducted, estates were for the most part kept whole and only passed onto family members upon death, with reasons like tradition and business preservation listed as much more influential than minimising tax liability and making use of BPR (HM Revenue and Customs and IFF Research, 2017).

It is relevant to note that the above study was conducted in 2017, ahead of any changes to BPR which generated notable media attention. In the current context, it is to be expected that businesses which no longer have the option to pass on the business whole at death will engage with the policy much more actively. The general apprehension towards selling or liquidating the business, however, is still relevant today, and explored in our programme of interviews with businesses.

Other questions around tax planning discussed with businesses in our interview programme included the possibility of businesses restructuring away from the UK (as done by some Swedish businesses ahead of the IHT regime being abolished in 2004; Ydstedt and Wollstad, 2021), as well as on the implications of increased tax planning efforts. The latter – increased resource dedicated to tax planning – has been observed internationally in regimes of high IHT, where more time and funds are dedicated to obtaining professional advice and drafting succession plans (KPMG, 2023). This theoretically could generate opportunity costs associated with other more productive uses of the resources now spent on tax planning.

Additional evidence specific to the UK from the CBI and FBUK survey referenced above found that 46 per cent of businesses intended to gift assets to family members, 24 per cent planned to take out insurance to cover future IHT costs, and 9 per cent intended to deliberately limit business or asset growth to stay within relief thresholds (CBI Economics and Family Business UK, 2025). All these options, among others, were discussed at length with our interviewees, and are summarised in the coming section.

4. KNOWLEDGE OF THE REFORMS, PROFESSIONAL ADVICE AND PREPAREDNESS

This section covers knowledge of the BPR reforms and advice sought, presenting nine of the most significant, best-evidenced insights across five sub-themes. On the one hand, participants showed a high level of awareness of the reforms and had begun to prepare for them; on the other hand, their detailed understanding of the policy mechanics, clarity on how the reforms applied to their own business, and planning were weaker, with business valuation a particular source of uncertainty. Understanding was largely an individual rather than an organisational property, concentrated within ownership and predicted more by interviewees' professional backgrounds than by firm size or age. Dissatisfaction with government communication and the perceived lack of forewarning was near-universal, while adviser engagement to offset this deficit was typically reliant on firms' existing, long-standing advisers with general expertise rather than on BPR or IHT specialists.

4.1 LEVELS OF AWARENESS AND TECHNICAL UNDERSTANDING

4.1.1 High awareness of reforms tended to diverge from technical understanding

Awareness of the BPR reforms was generally very high across family businesses interviewed but did not always translate into equally strong understanding. Many participants rated their own awareness as good or better, with a small number reporting excellent or perfect knowledge. Despite this, fewer had a strong grasp of the technicalities, policy developments, potential impacts and mitigation. Where technical understanding was displayed, it was often narrow, and specific to an individual firm's context or particular elements of the legislation.

> *'So I would claim reasonable knowledge, although the knowledge has slightly ... been diluted with the recent changes ... because frankly, it's the principle of the thing, not the minutiae that's important.'*
>
> **Manufacturing, 4th generation, 500+ employees**

While larger, older family businesses tended to display stronger understanding than their smaller, newer counterparts, interviewees' personal and professional background appeared to be a bigger driver of their grasp of the reforms and potential impacts. Several credited strong knowledge to their own accountancy, legal or trustee experience, including some very small and micro firms. Lower awareness was clustered in owner-managed firms without access to this in-house expertise.

> *'My accountant says to me, you're quite lucky, because you understand these things ... it's just because I have a legal background, so I'm used to how things are worded.'*
>
> **Accommodation and Food Services, 1st generation, 1 to 9 employees**

Awareness and knowledge did not improve between waves for many family businesses, and declined slightly in some cases. Firms largely attributed this to already having reached their knowledge ceiling in Wave 1, minimal additional policy developments to monitor, lack of time to research further or expectation of future changes.

Multiple experts described a similar awareness-understanding gap, reporting that family business clients largely had strong awareness of the reforms and fundamental changes but had often not worked through the complexity, nuances and specific impacts, particularly for their own business and succession plans. Some cited small and medium-sized enterprises (SMEs) and fast-growth entrepreneurs as weaker in understanding. As one expert put it:

> *'For every business, or every family as well, it has a different impact. They're aware that inheritance tax will be imposed. What it really means for them, their situation, their shareholding structure, their succession plan is different.'*
>
> **Expert, Tax, Audit and Consulting**

4.1.2 Awareness largely rested individually rather collectively shared across organisations

Awareness and understanding of the BPR reforms tended to sit with particular individuals rather than being shared across the organisation. This was particularly

strong in larger, older family firms, those with more dispersed ownership, or cases separating ownership and management. Here, detailed knowledge and planning was often contained within ownership, with management informed and aware but slightly removed to prioritise day-to-day operations. This was a common pattern, with exceptions found mainly among smaller, owner-managed firms. For example, an interviewee from a 2nd generation family business in the wholesale and retail trade sector told us:

'The Board are aware of it, but in terms of the level of detail, they're not going to get too tied up … They've got other things to be worrying about. They're running the business.'

Wholesale and Retail Trade, 2nd generation, 50 to 249 employees

Individual reform knowledge was largely retained across waves, except in a couple of cases where interviewees had identified poor awareness and sought to educate large shareholder groups. Containment of detailed knowledge from management remained consistent in many cases reporting it in Wave 1. Many experts echoed these findings, some citing information barriers and asymmetry around succession and tax planning within companies, linking this to wider difficulties discussing sensitive issues like money, tax and succession, and encouraging family firms to address it.

'No longer [is] IHT the purview of wealthy individuals and shareholders. It is crucial that the Board has a resilience plan.'

Expert, Tax and Advisory

4.2 GOVERNMENT COMMUNICATION AND AVAILABILITY OF INFORMATION

4.2.1 Dissatisfaction with government communication was near-universal

Dissatisfaction with government communications around the BPR reforms was expressed almost universally. In contrast, the cited reasons behind this were far more varied and specific to individual business context. Some reported communication lacked relevant detail and guidance on applying the reforms, others felt government had done insufficient work to understand the implications, while poor clarity of information and responses to queries were also cited by some. Family firms with access to advisers, trade bodies or other networks were better able to compensate for shortcomings in official communications, while those whose information gathering was more individual and media-led reported stronger negative impacts.

'It's not something the government has much interest in telling people about, because obviously the audience would say it's very negative. So I suspect there's probably not a great deal of … proactive, detailed communication.'

Wholesale and Retail Trade, 3rd generation, 50 to 249 employees

Participants' perceptions of government communications did not improve between waves and were largely constant across family business interviewees. Post-implementation, some emphasised they still had to be proactive in working through how the reforms applied to them. There was also slightly greater uncertainty around operationalising the changes and their practical details.

'It's done [communicated] at a very high level. It's not specific enough to particular businesses and industries … We have to have it [government guidance] interpreted. It can be interpreted in different ways.'

Wholesale and Retail Trade, 2nd generation, 50 to 249 employees

Experts were also dissatisfied with government communication, citing poor detail and clarity of guidance as a primary driver. Another key theme was the damaging effect of policy instability and the multiple changes made to the reforms, which inhibited decision-making and planning.

'The fact we've had these changes and … some amendments to the changes is a little bit unsettling because a lot of the decisions we're making now in a relatively short timescale, 18 months or so, are quite significant.'

Expert, Tax, Audit and Consulting

4.2.2 Policy lead-in was perceived as too short with insufficient forewarning

Beyond clarity and detail, there was strong frustration among interviewees over the timing of announcements and a perceived lack of consultation with family businesses. Multiple family businesses stated government communication had been poorly prepared, timed or thought-through. There was particular frustration that the BPR reforms were announced less than four months after the July 2024 general election, having not been included in the 2024 Labour Party Manifesto, and a few interviewees reported receiving explicit assurances from politicians (either personally or in group settings) that changes would not be made pre-election.

'There's no announcement, it wasn't in the manifesto. This is a fundamental reset of how private businesses can transfer between generations without being destroyed by government taking value from business.'

Manufacturing, 4th generation, 500+ employees

It is worth noting that the BPR reforms were in fact subject to a technical consultation and 18-month lead-in period, so this frustration potentially reflects low awareness or perceived effectiveness of these measures.

All family businesses that raised this point expressed it consistently as views hardened between the interview waves. It tended to be raised most forcefully by firms very exposed to potential IHT liabilities, either those in the middle of a seven-year gifting cycle or facing ten-year trust charges going forward.

Several experts expressed concern about the timing and perceived abrupt nature of implementation. Multiple reported a more phased implementation would have been more appropriate, one believing it should have aligned with the seven-year qualifying window for potentially exempt transfers (PETs), while another contrasted it with the 36-year duration of the existing regime. Despite the technical consultation, multiple experts concurred with family businesses in dissatisfaction with the process, perceiving it as weaker than previous policies or governments.

> *'Was it 36 years of … a regime that everyone knew and understood? And suddenly overnight … your client … was being told actually the rules are changing, but isn't in a position to hand things on early.'*
>
> **Expert, Tax and Legal**

4.3 USE OF, RELIANCE ON AND SATISFACTION WITH PROFESSIONAL ADVISERS

4.3.1 Adviser engagement was widespread but largely generalist and relationship-inherited

Almost every business reported engaging advisers around the BPR reforms in some capacity, but this tended to be generalist advice leveraging existing relationships rather than family business-specific advisers. This topic was discussed with all businesses interviewed, with 10 out of 22 businesses reporting having sought guidance from their general accountants and auditors rather than dedicated tax or legal specialists. Frequently, they reported favouring advisers they had worked with for extended periods, as this built familiarity with family business dynamics and their specific business.

> *'We've had the same relationship partner [for] 13 years. Had there been a change in relationship partner, we might be struggling to explain the family dynamics … but I think we're well-served.'*
>
> **Manufacturing, 5th generation, 500+ employees**

Approaches to professional advice broadly fell into three categories across family businesses interviewed.

- Leveraging existing in-house legal or tax expertise, concentrated among cases with relevant experience or trust structures, mostly larger and older family businesses.
- Engaging generalist advisers such as existing accountants and auditors, aligning with businesses on the lower end of reported understanding.
- A small subset engaging multiple specialist advisers in parallel, tending to reflect firms with live succession processes or particular exposure to the BPR reforms.

This context also significantly influenced how adviser engagement progressed between waves. Many businesses reported unchanged engagement, but variation was visible as some scaled down or ramped up advice in line with succession planning.

Experts in advisory roles widely reported a significant increase in demand for their services throughout the announcement and implementation of the BPR reforms. While this appears to contradict the business perspective of largely unchanged engagement, it may reflect differing timelines, as experts described demand over a longer period than the interview waves. The gap could potentially also be one of perception: firms leaning on long-standing generalist relationships may not register incremental BPR work as a change in engagement, where the adviser experiences it as new demand. Either reading is consistent with the wider pattern in this section, in which advisers and their clients described the same activity differently. Some experts reported an expansion in the breadth and detail of services now offered, in planning, modelling and communication.

> *'I've got work coming left, right and centre from existing clients, dormant clients who only get involved … where there's a disposal or a death, and people externally looking for it.'*
>
> **Expert, Tax**

4.3.2 Advisers offered options rather than recommendations, unable to resolve policy uncertainty

Uncertainty around the BPR reforms was reflected in the guidance family businesses received from advisers, materialising in several ways. Six interviewees expressed frustration at options being presented rather than definitive recommendations, others reported advisers unwilling to discuss potential future policy change, or excessively conservative stances leading to delayed or retrospective advice. While only raised in a subset of cases, these spanned a breadth of sectors and sizes. The issues were largely unimproved between waves and emerged in some additional cases, potentially reflecting a lack of further policy clarity, or that any clarity provided had not yet been reflected in the advice firms received.

'One of the problems we realised they come back with the answer like "you could do this" or "you could do that" or "you shouldn't do this". Nobody says "this is what you should do".'

Construction, 2nd generation, 250 to 499 employees

This was consistent with the accounts of experts, who also shed light on the mechanisms behind it. Some advisers explained the technical issues and uncertainty still being debated across the sector, which had not filtered through to clients. They also set out the difficulties of producing advice in very short timescales in a policy area subject to significant change, and a preference for providing options and ensuring clients did not rush into decisions.

'There are technical things which the lawyers and accountants are scratching their heads over, but I don't think at client level, that's really filtered down.'

Expert, Tax and Advisory

4.4 CLARITY ON REFORM MECHANICS AND AREAS OF UNCERTAINTY

4.4.1 Business and share valuation was the dominant, structural source of uncertainty

Given the significant impact of business valuation on potential IHT liabilities, uncertainty here was a widespread concern across family businesses interviewed. Businesses reported that family ownership often made valuation difficult and firm-specific, with widespread speculation over the approach HMRC might adopt and the substantial variation it could generate. Some highlighted that valuations were historically unimportant and rarely undertaken but now carried significant consequences. Concerns were concentrated in larger firms with more dispersed ownership, and near-unanimously reported among those with upcoming succession or potential IHT events.

'Valuing a share is very, very difficult ... How do you value a non-controlling interest ... or a minority? The IHT bill would come out of valuation by HMRC, which might be totally inappropriate, which we can't control.'

Transportation and Storage, 3rd generation, 250 to 499 employees

The ways in which valuation concerns changed between interview waves varied, falling into several broad categories:

- Concerns unchanged or intensified: no further clarity or resolution achieved throughout the implementation period, potentially due to complex situations and ownership structures;
- New concerns: businesses reporting valuation concerns that hadn't arisen in Wave 1, in some cases relating to further succession planning or details emerging around valuation processes post-implementation; and
- Concerns alleviated: improved perspective and less uncertainty, in some cases due to formal valuation work undertaken as part of succession or ownership restructuring.

An insight that emerged between waves was the potential for protracted, intensive and damaging valuation disputes with HMRC. Post-implementation, family businesses began to raise the absence of test cases and precedents, lack of specialists within HMRC and the length of time it retains to reopen valuations. Experts comprehensively agreed on the potential for inconsistency, uncertainty and dispute. However, some stressed these concerns were at present somewhat speculative, with two advisers highlighting HMRC's historically passive nature in challenging valuations, and that disputes so far revolved around non-qualifying assets.

'Valuation, by definition, is an art. There isn't a binary scientific approach of how you value a business ... It's going to depend on whose desk it lands on at HMRC.'

Expert, Tax

4.5 PERCEIVED PREPAREDNESS, COMPLIANCE AND ADMINISTRATIVE BURDEN

4.5.1 Preparedness was mostly characterised as 'reasonable steps taken' rather than exposure resolved

Levels of preparedness varied across cases in Wave 1, and were closely linked to awareness, as the most well-informed family businesses reported most positively. Preparedness tended to revolve around processes and precautions rather than definitive mitigation of risk or exposure. Some firms were consciously committing to a more gradual approach and expressed caution about rushing into decisions ahead of implementation.

'I think [we are] as prepared as we can be, but that doesn't mean we've got 100 per cent mitigation because ... we're still caught in a little bit of a trap.'

Manufacturing, 5th generation, 500+ employees

Preparedness improved slightly overall between waves but fundamental risks and exposure to IHT liabilities were not fully resolved, as family businesses fell into several broad end-states by Wave 2. A subset had fully settled plans post-implementation and felt as prepared as they could be. Others had improved preparation and planning but still felt burdened, uncertain or concerned about potential impacts. A number were intentionally unprepared, for reasons such as excessive policy churn and expectation of further changes, prioritisation of other issues or low exposure. Preparation varied in line with individual firm situations and was highest in those very exposed.

'We're not going to spend any money or time worrying about it because we've got to run the business in a tough environment. It's a distraction if we're not careful.'

Wholesale and Retail Trade, 4th generation, 500+ employees

The accounts of experts reflected these varying levels of preparedness. Some reported slight surprise at those on the lower end of the scale, emphasising that while BPR-related risks could be low likelihood they were also high impact, and that family businesses now required more proactive ownership and tax planning.

'We plan based on … demographics and ownership structure so we don't end up with pinch points that threaten the family or the business. If that happens, that's our failure to plan.'

Expert, Consulting, Tax and Legal

4.5.2 Cost of preparation materialised through adviser fees, time and distraction

The costs imposed by the BPR reforms were a theme across many interviews. While some referenced direct adviser fees, the indirect costs of time and attention diverted to planning and succession were more commonly cited (by eight out of 22 interviewees), with interviewees from a number of firms describing the reforms as a distraction for their senior managers. A small wholesale and retail trade firm stated decision-making around the BPR reforms was their single biggest issue, while a micro accommodation and food services business described it as a constant, background distraction. Some larger family firms also reported this, although those with in-house expertise or trust structures were less likely to.

'This topic has … become the biggest thing we have to talk about right now and the biggest thing we need to make a decision on.'

Wholesale and Retail Trade, 3rd generation, 10 to 49 employees

Perspectives on BPR-related costs changed in line with individual succession and exposure situations. Cases completing succession planning early reported costs falling away, those ramping up planning described costs increasing accordingly, while firms with trust structures and 10-year charges explained these costs would become more permanent. The burden also migrated slightly, from initial learning and early-stage planning in Wave 1 towards valuation and compliance in Wave 2.

On balance, the evidence in this section shows participants thinking and planning around the reforms but not having fully resolved their meaning, significance and implications. Awareness was high and preparatory measures had been taken, but detailed understanding remained concentrated in a small number of individuals, government communication was widely perceived as inadequate, and valuation uncertainty was widespread. The next section turns to how knowledge and uncertainty translated into action through ownership and succession planning.

5. OWNERSHIP STRUCTURE AND SUCCESSION PLANNING

This section reviews the impact of the BPR reforms on interviewees' succession planning and ownership structure, centring on the accelerated ownership transfers both before official announcement and as implementation approached. We discuss businesses' experience of reassessing succession plans in light of the reform, the most popular actions taken, and the new risks and impacts associated with them. Gifting under the seven-year rule emerged as a widely used instrument and was generally favoured over trusts for its simplicity. Accelerated ownership transfers carried material risks, such as mortality, successor readiness and loss of dividend income, and were beginning to disperse and lower the age of shareholder bases. Commitment to family ownership however remained near-universal.

5.1 SUCCESSION PLANNING BEFORE BPR REFORMS

Understanding the impact of the BPR changes on succession planning and ownership restructuring first requires understanding practices incentivised under the previous tax regime.

5.1.1 Succession upon death was the default under full relief before the reforms

Four of the eight experts with whom this topic was discussed described a paradigm across UK family businesses, before the BPR reforms, of succession upon death. In this paradigm, ownership planning and transfers happened primarily around death events, with owners incentivised to hold on to assets until their death – the point at which they would also benefit from a capital gains tax (CGT) uplift.[6]

> *'For years we've advised, let the older generation hang on to the majority shareholding, and on their death you'll get an uplift in CGT and achieve a tax-free transition to the next generation.'*
>
> **Expert, Tax**

An expert described how the previous combination of CGT uplift and 100 per cent IHT relief left little tax incentive to gift before death, supporting very stable shareholder bases. Family business interviewees were broadly aware of the benefits of holding assets until owner death.

The largest family business cases, having often undergone multiple generational transfers, tended to take a longer-term, more proactive approach to succession. Particularly on management succession and the involvement of new generations, they exhibited more active, continual planning less concentrated around death events. One interviewee from a large, 4th generation manufacturing business described how this longer-term outlook had first developed:

> *'In 1994, my father and I attended a course … called Leading the Family Business, which gave us the framework upon which we could start to think about our business as a much longer-term business.'*
>
> **Manufacturing, 4th generation, 500+ employees**

5.1.2 Owner demographics set the planning horizon more than sector or size

Family and owner demographics were important in setting succession timelines both before and after the BPR reforms. Across six of the 22 cases, owner age was explicitly linked to succession attitudes, with businesses expecting an imminent shareholder death in a more urgent position than those with a younger shareholder base. Demographics therefore appeared to be the factor most closely associated with planning horizons and their urgency across sectors, regions and business sizes, a pattern also reported by client-facing experts. This is illustrated by a large, 4th generation construction firm, which reported that since their next generation were all primary school age, '*succession planning is a little premature*'.

5.1.3 Management and ownership succession ran as separate tracks

Across both smaller, owner-managed businesses and larger organisations separating ownership and management, interviewees described management succession as a separate process to ownership succession in both waves.

In many cases, the two had become decoupled, with the tax changes having no impact on the timing of management transfers. Multiple mid-sized owner-managed businesses had de facto already passed all management responsibilities to the younger generation while the older generation retained shareholdings.

'The majority of shares in our company are owned by multiple discretionary trusts [which means] you can pass over managerial responsibility without necessarily addressing the ownership issue.'

Manufacturing, 5th generation, 500+ employees

5.2 ACCELERATION AND REPRIORITISATION OF SUCCESSION PLANNING FOLLOWING THE REFORMS

Following the BPR reforms, many family firms reprioritised active succession planning, often accelerating ownership transfers, at times between our two interview waves.

5.2.1 New and often urgent succession planning followed the reforms

Across many cases, a strong consensus emerged that the reforms had been followed by new, at times urgent, engagement with succession plans. Firms often reported drafting them where not previously formalised, or revisiting existing ones to account for the new relief thresholds. As one small, 5th generation accommodation and food services business put it, *'we have to make the decision in order to be comfortable [triggering] the seven-year rule'*.

In some cases, the increased focus came after the announcement at the October 2024 Autumn Budget that 100 per cent BPR would be limited to the first £1 million of qualifying assets, with 50 per cent relief above this. Others moved pre-emptively however, before the specific changes had been announced. Some larger businesses with broad shareholder bases reported shareholders engaging in pre-Budget share transfers to the younger generation, with varying levels of associated risk.

'We're having to advance the transfer to people who are good but not quite good yet – we're going to have to transfer shares to our children earlier than normal, which brings an inherent risk.'

Manufacturing, 1st generation, 50 to 249 employees

Owner demographics were closely associated with pre-emptive action. Many of the businesses transferring shares pre-Budget had an ageing owner generation and awareness of their greater exposure to IHT liabilities. While these pre-emptive movers rarely revisited their plans between waves, broadly feeling they had exhausted their options, some admitted certain moves had become unnecessary or inefficient in light of the reforms that came to pass.

'We always think about succession, we've got a young, dynamic team all in place already – what we are having to do now is advance those plans.'

Manufacturing, 1st generation, 50 to 249 employees

Some businesses which had not yet acted in Wave 1 had done so or settled their plans by Wave 2. This was a wider group than the pre-emptive movers and extended beyond those with imminent mortality threats. Many decided to move forward with earlier asset transfers than previously considered, using instruments from PETs to new trusts. By Wave 2 these cases reported more comfortable positions, with one long-established, multigenerational owner noting that, having taken all necessary actions, they expected their business would be insulated from future policy changes, while still recognising some uncertainty.

In Wave 2, a third group described not having yet finalised their succession plans. This was due either to a younger generation of owners feeling they could wait and see what IHT policy would be by the time succession became relevant, or to businesses with broad shareholder bases remaining uncertain how the business would be valued and therefore what the best course of action would be.

'Size [of the liability] is the problem. You know you've got a problem, but the size of it influences where you go with it, and you only know how big it is once you get a running value established.'

Manufacturing, 5th generation, 500+ employees

Client-facing experts across professional services echoed the sense of urgency and accelerated transfers conveyed by businesses. An independent consultant noted that, for clients both with and without succession plans in place, the reforms had incentivised earlier engagement with succession planning and action than would otherwise have happened.

5.3 APPROACHES TO SUCCESSION AND OWNERSHIP TRANSFER

This subsection discusses how firms chose to mitigate the impacts of the BPR reform and the instruments they planned succession strategies around. Not all were viable or available to all businesses, with the extent to which a firm could cover a future IHT liability strongly associated with the age of ownership.

5.3.1 Gifting under the seven-year rule was a popular instrument[7]

Gifting assets was the ownership restructuring option leveraged in a large number of cases and emerged as a popular approach among family firms. Gifts made seven years before the donor's death are passed on tax free although, if the donor passes away in that period, the tax rate is applied at a rate between 40 per cent and 8 per cent,

depending on the proximity of the death to the full seven years. By gifting assets earlier than previously planned, owners expecting to live beyond seven years can pass on the business to successors, mitigating all IHT liabilities.

'I am hoping to achieve a tax-free transition [of ownership] through the seven-year gift rule … we recognise we basically have to use the "gift and survive" route.'

Accommodation and Food Services, 5th generation, 10 to 49 employees

Firms gifting assets preferred the administrative ease of this route, especially compared with trusts, which often proved more complex.

'Gifting strategies tend to be favoured largely on account of their simplicity, especially by smaller businesses that view trust structures and other ownership approaches as much more complex.'

Expert, Tax and Legal

Businesses recognised, however, the considerable risks of gifting and the uncertainty it could introduce into the succession process. Some noted that if a death occurs before the seven-year period ends, the recipient misses out on CGT uplift while also having to pay either the full or a reduced rate of IHT. PETs additionally require gifting without reservation, meaning those passing down assets cannot benefit from, use or control them, creating potential issues with firm decision-making (HM Revenue and Customs, 2026d).

There was a clear acceleration of gifts between waves, although some businesses had engaged in early gifting before the reforms were announced in 2024. After Christmas 2025, gifting was also timed to make use of the new spousal allowance. Gifting was used regardless of industry or size, although some mid-sized and large businesses combined it with trusts.

5.3.2 Trusts were also a common action but attracted mixed views

After gifting, transferring shares into trusts or trust restructuring was also a popular action taken in preparation or response to the BPR reforms. Attitudes varied widely, as many perceived trusts as involving high administrative complexity and costs, charges when transferring in and out, plus newly relevant 10-year periodic charges on the value of trust assets, previously nullified by full relief. It should be noted that trusts also benefit from £2.5 million allowance for 100 per cent relief at each 10-year anniversary and exit charge, with 50 per cent relief applying above this, generating an effective rate of up to 3 per cent rather than the headline 6 per cent.[8] Many cases using trusts were larger firms that could afford the administrative burden, cost and complexity.

For businesses already holding a trust structure, the periodic 10-year charge had become newly relevant. One large transportation provider had previously transferred shares into a trust which he was considering collapsing before the charge became payable. This pointed to a broader use of trusts as short-term stopgaps, buying time to finalise complicated succession decisions before the structure is dissolved ahead of the first 10-year charge. Patterns here were more relevant in Wave 2, where a few businesses decided to dissolve trusts they had previously found beneficial.

'[Businesses are now] looking at trusts … not as tax planning vehicles, but more as succession structures, because they often aren't that tax efficient in terms of 10-year anniversary charges and additional rates of tax trusts pay.'

Expert, Tax and Advisory

For other businesses with pre-existing trusts, however, avoiding periodic charges was not sufficient motivation to dissolve structures that otherwise served governance and non-tax benefits. Multiple cases described trusts as effective guards against marital and mortality uncertainty, where trustees could shield assets from being divided or passed to unintended beneficiaries. For these businesses attitudes did not change between waves.

Overall, however, few businesses set up a new trust, with gifts often favoured by both businesses and advisers. Experts warned that some businesses risked adopting complex trust arrangements without fully appreciating their long-term tax and governance implications. The quotation below illustrates that this imperfect understanding ran in both directions, as the 6 per cent figure cited is the headline maximum rather than the effective rate most trusts would face. Where firms weighed collapsing a trust against retaining it this distinction is important.

'If you do the gifting approach (successfully), you essentially achieve a tax-free transfer, whereas if you use the trust system, you are paying 6 per cent every 10 years.'

Accommodation and Food Services, 5th generation, 10 to 49 employees

5.3.3 Growth shares were raised by advisers but not by any business interviewed

Experts noted that some bringing forward share transfers to younger generations had used growth shares, which only gain value above a pre-set level, to freeze current valuation.[9] No businesses interviewed raised this, pointing to perhaps limited awareness given its highly technical nature. Reclassifying shares is likely an option brought forward by experts in conversations with clients.

'In terms of ownership structures, we've done a lot of reclassification of shares. Family companies commonly have alphabet shares, but there's also now people looking to use either preference or [growth] shares.'[10]

Expert, Tax and Legal

5.4 RISKS AND PRACTICAL BARRIERS TO ACCELERATED TRANSFERS

Despite the approaches set out above, family firms were often constrained in the succession choices available to them. These constraints related to the inherent risks of succession. Those most commonly cited are set out below.

5.4.1 Mortality within the seven-year window was often cited as a risk

Mortality was often reported as a risk in the business interviews, raised by businesses of all sizes and across all industries. The uncertainty of death events is obvious, and some owners were understandably uncomfortable with strategies whose success depended on how long they lived. For many, a single shareholder's death would involve tax liabilities that could put considerable pressure on liquidity, as discussed further in Section 6. Pre-emptive action mitigated some of this risk, which made some businesses feel more at ease by the second interview. Few, however, held plans wholly immune to shareholder death.

'[If one] of my brothers, sisters, or myself died, our estates will get hammered with a large bill. We've got time to give everything away seven years before we die, [but] we could get knocked down by a bus tomorrow.'

Financial and Insurance Activities, 6th generation, 500+ employees

5.4.2 Some owners delayed gifting over concerns about successor readiness

Where the succeeding generation was still young or inexperienced, owners worried about successor readiness. Passing on control early to a less-experienced generation was thought to potentially compromise governance, leading some owners to delay making gifts.

These concerns were raised across both waves, with businesses worried not about involving younger generations as such, but about doing so in a rushed manner. In larger businesses with dispersed ownership, multiple owners felt an increased number of gifts could lead to a younger, potentially less engaged shareholder base.

'Normally [involving the younger generation in the business] would be a phased thing, you'd bring them along, they'd make the mistakes younger people do and learn from them, and it's fine; you get security that way.'

Manufacturing, 1st generation, 50 to 249 employees

While experts shared the concerns around rushed succession decisions, some also suggested the readiness of future generations was sometimes undervalued by current owners. Owners tended to treat successor readiness as a constraint on transferring early, whereas several advisers regarded it partly as a matter of owner perception and saw earlier transfer as an opportunity to build the very trust and engagement owners judged to be lacking. Some businesses seconded this as a priority within their own succession planning.

Marital risk was also mentioned by both businesses and experts, with some parents of recently married children uneasy about transferring shares where there might be a risk of divorce or remarriage.

'We have clients who are so panicked by inheritance tax that they start thinking about making gifts of substantial amounts of land and shares to children who are in their teens.'

Expert, Tax and Legal

5.4.3 Some shareholders cited loss of dividend income as a reason not to transfer

For certain shareholders, holdings provided dividend income they might not be prepared to part with, which could delay share transfers even where IHT motivations were strong. Since donors can no longer draw benefits (including dividends) from gifted assets, this may also act as a barrier to gifting.

5.4.4 Some firms adopted 'wait and see' approaches in anticipation of further policy change

Some family firms reported a strong preference for a more measured 'wait and see' approach, avoiding rushed decision-making. The benefits of present-day action were uncertain relative to the policy environment that might be in place once succession or trust charges became relevant.

'[We can't] plan ahead at the moment because God knows what's going to happen. For any small business, trying to plan ahead to pass on their business is a quagmire.'

Accommodation and Food Services, 1st generation, 1 to 9 employees

In Wave 1, multiple businesses reported acting with caution in case additional changes were introduced before implementation. By Wave 2, the firms that still hadn't acted were exclusively those with a longer planning horizon, typically those with younger owner demographics or trusts with non-imminent 10-year charges.

5.5 POTENTIAL CONSEQUENCES OF EARLY TRANSFERS

While a longer evaluation period would have captured more impacts of early ownership transfers, some were discussed with businesses.

5.5.1 Early transfers dispersed and lowered the age of shareholder bases

The primary reported impacts of early transfers on boards were a reduction in the average age of shareholders and the dispersion of ownership: earlier gifts meant new shareholders were younger than usual, while shareholders gifting to multiple children increased the total number of shareholders.

These impacts were particularly relevant to older businesses with broader shareholder bases. For example, a 7th generation mid-sized business reported approximately 20 new shareholders in the last five years. Experts highlighted the governance challenges emerging from dispersed ownership, both for decision-making and IHT-related matters.

> *'There is a conflict between tax (efficiency) and flexibility in decision-making. As you get to a more diverse shareholder base, it obviously becomes harder and harder.'*
>
> **Financial and Insurance Activities, 6th generation, 500+ employees**

Where companies planned to fund individuals' IHT liabilities through buy-back schemes,[11] for instance, doing so across a larger number of shareholders could introduce conflicts around fairness. It might also increase pressure on the firms' liquidity, as more shareholders might look to the firm to fund their own liabilities.

> *'The business can't go and put money aside to pay a liability for [one shareholder] because that is unfair on the rest of the shareholders. Why should they pay their IHT bill?'*
>
> **Transportation and Storage, 3rd generation, 50 to 249 employees**

By Wave 2, more businesses reported seeing dispersion of their shareholder base as gifting accelerated, but none described new governance friction yet, with some expecting it only in future years. One anticipated a higher risk of conflict once the current generation started retiring, with some shareholders wanting to exit funds from the business.

5.6 COMMITMENT TO FAMILY OWNERSHIP VERSUS SALE

Despite reported disincentives to family succession introduced by the reform, almost no firms interviewed actively considered selling the business outside of the family – a decision underscored by a strong commitment to family stewardship and continuity.

5.6.1 Commitment to family ownership outweighed tax minimisation in almost all cases

Almost all business owners interviewed intended for the family to retain and continue the business set up by their predecessors. Where ownership was dispersed, some shareholders exiting was considered an option, but an unfavourable one made more difficult by the prevalence of minority stakes in these firms. A large, 4th generation wholesale and retail business captured this commitment, stating that *'[selling] is not what we want to do. We are very much a family business'.*

To seven out of the 22 firms, retaining family control was a significant priority over tax minimisation. The owner of a large construction firm reported increasing dividend payments so shareholders could meet IHT liabilities personally without taking on debt, which he saw as undermining the business' private ownership.

Sale or exit was therefore a last resort in almost all cases, directly opposed to the family's preferences. The only interviewees exploring selling were those without a clear successor, for whom the BPR reforms had had less direct impact. No firms were currently facing a 'forced sale', although some thought it unlikely but possible that future generations could reach that decision. A few businesses saw minority discounts as key to meeting future liabilities and avoiding a forced sale.[12]

> *'I don't feel it is mine to sell. I feel I hold it literally on trust for my family, but also for my employees.'*
>
> **Construction, 4th generation, 500+ employees**

The experts interviewed echoed this, with all client-facing professionals reporting little evidence of clients deciding to sell because of the reforms, and one tax adviser noting they broadly accepted them reluctantly rather than selling.

The dominant response to the reforms was therefore accelerating succession rather than exiting, with gifting the preferred route and trusts a more selective and costly alternative. This acceleration was accompanied by new mortality, readiness and governance risks that many firms could not fully eliminate. Because these strategies ultimately depend on firms being able to fund a liability whose timing is unpredictable, the next section examines how asset allocation, liquidity and investment changed following the reforms.

6. INVESTMENT AND ASSET ALLOCATION

This section presents the potential impacts of the BPR reforms on family businesses' investment and asset allocation plans, through seven core insights across three sub-themes. These insights cover the strong interaction between the reforms and liquidity, wider risk-mitigation approaches such as insurance and debt, and the largely minor impacts on investment itself. A 'liquidity first' philosophy became dominant and intensified between waves, though asset-rich but cash-poor firms were largely unable to pursue it, while those that could build reserves raised issues around the valuation feedback loop and 'excepted asset' rules. Although core investment approaches were unchanged, growth projects were deferred in a number of cases and BPR qualification became an explicit investment filter for some firms.

6.1 IMPACTS OF REFORMS ON ASSET ALLOCATION AND LIQUIDITY

6.1.1 Liquidity building became the priority, although intent was not yet fully actioned

Arguably the strongest conclusion within this theme was the increased focus on building liquidity among family businesses following the BPR reforms. In Wave 1 many cases were planning to or actively building cash reserves in response to the reforms, while several reported already healthy reserves prior to the announcement. Three distinct perspectives on liquidity were identified in participants' accounts:

- Cases describing building and retaining liquidity as standard practice, with strong cash reserves pre-announcement, tending to be larger businesses.
- Cases planning to or already building liquidity in response to the reforms, also larger firms, tending to be in high cashflow or profitability sectors.
- Cases that were structurally unable to build liquidity, typically in more capital-intensive operating models or industries, with lower margins.

Firms attributed this increased focus on liquidity primarily to increased potential IHT liabilities from the reforms, compounded by uncertainty over business valuations upon succession (covered in Section 4.4.1) and therefore over the potential liabilities to buffer against. The reforms were unlikely to be the sole driver, however. Several cases described strong reserves as long-standing practice predating the announcement of the 2024 reforms, and stronger cash positions also insulate firms against the wider economic and policy conditions that many interviewees rated above BPR as a constraint (Section 7.1.1).

> *'Three years ago, we didn't see a death in [the] family as likely to call on our liquidity. We now see it as something that might … we are probably aiming to be a bit more liquid than before.'*
>
> **Transportation and Storage, 5th generation, 500+ employees**

Building and preserving liquidity was deemed important in both waves, but intensified over time. By Wave 2, many interviewees were either planning, building or had already built liquidity. That said, the general perception across cases was of an additional financial consideration rather than an urgent risk. Attention paid to liquidity was largely stronger than actual actions taken, although firms with imminent or dated IHT exposure events tended to be more active.

> *'Now we're looking at liquid reserves in a little more detail than we were. I don't actually think it's changed the number today … it's certainly highlighted the focus.'*
>
> **Financial and Insurance Activities, 6th generation, 500+ employees**

Multiple experts echoed these patterns, although some cautioned that fewer firms had actually built up reserves than this suggested. One questioned the long-term permanence of the pattern and whether it was instead a temporary practice around potential IHT events. Read alongside Section 6.1.3, the views of some of the experts interviewed were more sceptical of large cash reserves

than those of the businesses. Firms treated liquidity building as the natural and prudent response to the reforms, whereas advisers, while confirming the pattern, both doubted how much of it had translated into action and warned about the potential pitfalls of liquidity building.

6.1.2 Asset-rich but cash-poor firms were least able to build liquidity

Although liquidity building was the dominant strategy, some cases lacked the ability to pursue it. These firms tended to display low profitability or cashflow, falling into the asset-rich, cash-poor category: firms whose value is tied up in property, plant or equipment rather than available cashflow. Sizeable asset bases increased valuation, exposure to the BPR reforms and potential IHT liabilities, but these firms reported difficulties building the cash reserves to insulate against that risk. The issues persisted between waves and many cases were in fact more pessimistic when reassessing in the Wave 2, post-implementation context.

> *'I wish we could [build cash reserves], but we're not trading particularly high level of profitability … We would [build cash reserves] if we could, but we couldn't at the moment.'*
>
> **Wholesale and Retail Trade, 3rd generation, 50 to 249 employees**

Low profitability and cashflow tended to inhibit these firms from acquiring loans and servicing debt, and therefore from borrowing to fund potential liabilities. A mid-sized, 2nd generation construction firm asked, *'we've explored what's possible … who's going to give you a loan on a debt-heavy company?'* (discussed further in Section 6.2.2).

These issues were compounded by the difficulties asset-rich, cash-poor firms reported in liquidating assets to mitigate potential IHT liabilities. Businesses in this category largely reported that asset disposal would significantly damage their ability to function and was a last resort. Whole asset disposal could inhibit core operations and economic viability, and they also reported an inability to sell assets in parts, rendering this infeasible as a route to liquidity. As a micro, 1st generation accommodation and food services business explained, '*our [business] is so small, if we start selling off bits, it would no longer be viable*'. Even where asset sales were feasible, funds raised would first be subject to CGT before covering IHT, a double taxation issue firms repeatedly highlighted.[13]

> *'If you sell the assets … we have to pay capital gains on the assets first and then use what's left to pay the inheritance tax.'*
>
> **Construction, 2nd generation, 250 to 499 employees**

Asset disposal difficulties were reiterated in the second wave and by multiple experts, who also highlighted the potentially depreciated value of distress-driven sales. So while many cases either had or were developing a liquidity buffer, a notable group of firms perceived IHT exposure as a financial threat but lacked the means to address it.

6.1.3 Liquidity building risked raising valuations and excepted asset designation

While firms capable of building cash reserves believed this was the best response to the reforms, there were negative consequences and complexities attached. A significant issue raised by several businesses was the damaging valuation feedback loop: increased potential IHT exposure warranted increased cash reserves, but this could lead to equivalent increases in business value (particularly under certain valuation approaches), thereby growing potential exposure. These concerns were primarily raised in Wave 2, possibly reflecting firms' understanding of policy nuances building through the implementation period.

> *'If we build cash in the business to pay any tax liability, then [this] increases the value of the business, [so we're] caught between a rock and a hard place.'*
>
> **Wholesale and Retail Trade, 4th generation, 500+ employees**

Another concern around liquidity building raised in multiple cases related to excepted asset rules. Cash reserves stockpiled by firms to cover potential IHT liabilities are potentially at risk of being designated as an excepted asset,[14] whereby they are excluded from business assets and therefore eligibility for BPR altogether, and would be taxed at the standard IHT rate. This issue was raised primarily by larger, multigenerational firms with existing trust structures or in-house expertise, who felt they were being penalised for financial preparedness. Multiple experts also raised this issue and mechanism in detail.

> *'If there is a Board minute now that records … they're putting money to the side for an IHT liquidity moment, I think that's a slam dunk, that's excess cash [and an excepted asset].'*
>
> **Expert, Tax and Advisory**

6.2 FURTHER ASSET ALLOCATION APPROACHES TO MITIGATING RISK AND LIABILITIES

6.2.1 Insurance became more prevalent between waves but was unobtainable for older owners

Insurance emerged as an important alternative for family firms insulating themselves from the potential risks of the BPR reforms. Rather than building cash reserves, allocating funds to insurance premiums provided financial protection in the event of succession while circumventing the valuation and excepted asset issues discussed above.

Insurance was raised as a potential option in a handful of Wave 1 cases, but by Wave 2 this had proliferated across further cases, with some reporting policies already in place. This suggests that, among the firms interviewed, intentions were converting into action over the implementation period.

'We ended up taking this insurance product out, which was not cheap. And it depends on the age of your shareholders how expensive that insurance product is.'

Transportation and Storage, 3rd generation, 250 to 499 employees

However, insurance was not always viable and often proved inaccessible where coverage was most needed. Life insurance was reported as unobtainable or too expensive for older owners, removing the option for businesses very exposed to the reforms and at highest risk of IHT liabilities. Some businesses with large numbers of shareholders also deemed it implausible to organise effective policies, which still required significant liquidity to fund initially. A large, 5th generation transportation and storage business noted that *'we aren't using it [life insurance] yet because the number of shareholders involved makes it impractical'*. One expert explained how owners' ages limited the availability of cover:

'You can do life cover and things like that, but only if the people are young enough and it doesn't work [when] you get to older [people].'

Expert, Tax and Advisory

6.2.2 Debt was widely considered but rejected, given unpredictable timing

Debt was raised by many businesses interviewed, making it a widely considered alternative to building cash reserves or selling assets. Many cases, however, rejected it as a funding route, with only one business having increased borrowing to meet the liability. Perspectives diverged slightly between waves, as some very large, multigenerational firms became more open to borrowing, while others, particularly the smaller firms we interviewed, maintained scepticism or rejected it.

'Since we last spoke, we've refinanced the business. We've got additional headroom should we need it, and we can and should pay it in one lump sum as it's due to the trusts.'

Manufacturing, 4th generation, 500+ employees

Perceptions of debt varied by firm type, largely in line with prior liquidity perspectives. The obstacle common across many cases was not the price of credit but the timing of the charge. Because the liability is triggered by a death that cannot be predicted, financing costs begin to run immediately against a bill that may not fall due for decades, making borrowing in advance difficult to justify and borrowing at the point of death difficult to arrange.

'That could be funded through debt, or preferably not, because you don't know when the liability is going to be triggered. And you've got financing costs linked to an unknown.'

Expert, Tax

Firms in our sample perceived debt as a way of funding potential IHT liabilities in diverse ways, as set out below for each liquidity category:

- For larger family firms with strong existing cash reserves, debt was seen as a plausible way to meet IHT liability. One large construction company said they had become more likely to pursue commercial lending to cover it.

- For firms actively building or planning to build cash reserves, debt was a fallback rather than a plan. Availability was again not the constraint, as these firms generally reported strong banking relationships, and one noted facilities no longer required the personal guarantees they once did. However, they preferred to fund the liability from retained cash and were reluctant to borrow while the eventual effect of the reforms remained unclear.

- Asset-rich but cash-poor firms unable to develop cash reserves generally viewed borrowing with scepticism, as described in Section 6.1.2.

6.3 IMPACT OF REFORMS ON INVESTMENT, APPROACH AND STRATEGY

6.3.1 Core investment held firm, while growth and acquisition projects were deferred

The prevailing view across both waves and from both businesses and experts was that the BPR reforms had not impacted family firms' core investment approach at present. Many cases also reported unchanged perspectives on time horizons, risk appetite and required rates of return. While optimism around investment prospects declined slightly between waves in some cases, investment strategy itself did not appear to change. One important caveat concerns the longer term. Firms could only speak to their current activity, but warned that they were continuing to reassess the policy environment and wider headwinds, and that investment could suffer in future.

'[BPR reforms have] not had any impact apart from we now know we need to look at it closer for the future. So to this point, we haven't really paid much attention to it, but we believe it's going to be a bigger impact [on investment].'

Transportation and Storage, 2nd generation, 50 to 249 employees

Some cases did report weakened investment in a more counterfactual sense, with potential growth projects or ventures deferred. This was largely specific to each firm's individual context or operations: a small accommodation firm had stalled plans for a new multi-home development, a retail business rejected the opportunity to open a new branch, and a large construction firm extended its machinery replacement cycle from four to six years.

> *'As an asset, I'm better off leaving it undeveloped because I'm then going to have a cheaper transfer, so that has had a negative impact on new initiatives and it has made us financially more cautious.'*
>
> **Accommodation and Food Services, 5th generation, 10 to 49 employees**

This pattern hardened across many cases between waves and eased in only a couple of firms. A notable finding was that virtually all deferred plans reported were growth investments mentioned by six out of the 20 businesses this topic was discussed with. Alongside the prior liquidity findings, from an accounting perspective, increased cashflow has to be sourced from somewhere within the business. Given minimal evidence to support higher retained earnings or reduced distributions (dividends), inhibited investment is therefore the residual factor that likely facilitates this. The counterfactual and unobservable nature of reported investment impacts introduces potential for this to be understated.

6.3.2 BPR qualification became an investment filter for some family businesses

A potentially unforeseen development following the reforms was BPR eligibility appearing to become a filter for some family firms' investment. Several cases reported considering whether an asset qualified for BPR before making investment decisions. For some, this was an added consideration among other factors, but for several others BPR qualification had become the first consideration. Cases raised this for specific asset purchases, particularly property and wider investment decisions.

> *'When you're looking at an investment … the first question is, does it comply with BPR? How does it affect BPR? That's the first question, not whether it's a good deal or not.'*
>
> **Transportation and Storage, 3rd generation, 250 to 499 employees**

This perspective hardened between waves in a few cases, potentially reflecting BPR-based mechanisms filtering through family firms over time. The most extreme example was a firm abandoning a substantial investment in an equivalent business because it potentially compromised their BPR-qualifying status. These experiences were echoed in the accounts of the experts we interviewed, who reported clients carefully reviewing their asset bases and taking action or diversifying where necessary to limit IHT exposure.

> *'We couldn't take a 25 per cent stake in a really good profitable company that we know, because it would screw up our inheritance tax planning. Yet that might be a very good decision.'*
>
> **Transportation and Storage, 5th generation, 500+ employees**

Among the participants in our study, the clearest financial change following the reforms was therefore a reorientation towards liquidity, achieved comfortably by profitable firms but more difficult for the asset-rich, cash-poor cases that were often very exposed. Core investment approaches had so far proved resilient but discrete growth projects had been deferred as BPR eligibility potentially filtered capital allocation. These emerging distortions to how firms deployed capital lead directly into the next section, which considers implications for growth, expansion and wider decision-making.

7. GROWTH, EXPANSION AND DECISION-MAKING

This section sets out the impacts of the BPR reforms on family firms' growth, expansion and decision-making across six insights and three sub-themes. The overall narrative is one of weak impacts on growth and expansion currently, but the potential for these to increase going forward should the adverse policy environment persist. Firms also discussed the potential 'growth penalty' of the reforms on wider decision-making but this rarely translated into concrete changes in behaviour or ambitions. Full relocation of operating businesses was ruled out across both waves in almost all cases, though a small number with existing international footprints were more open to shifting focus offshore.

7.1 IMPACTS ON GROWTH AND EXPANSION

7.1.1 Growth impacts were seen as limited now but worsening over time

The perception across many firms in Wave 1 was that the BPR reforms would have only a limited short-term impact on growth and expansion, but that this would worsen over time. The time horizon was determined not by size or sector but by ownership structure. A very large transportation and storage firm explained that its exposure would begin with the first death among roughly 100 dispersed shareholders, a very different horizon from a firm whose ownership sat with just a few individuals, as at one very large construction business.

> *'I don't think it's an existential threat right now, but if … for the next 15 years, this is going to be the relief landscape, then I think we will need another plan.'*
>
> **Manufacturing, 5th generation, 500+ employees**

Firms' views on growth impacts remained broadly similar in Wave 2. The same group reiterated that the short-term impact would be limited, but that expansion and growth potential would reduce closer to the point where IHT liability fell due. However, in a few cases firms viewed the impact as less important against a more unstable geopolitical and macroeconomic environment, with a mid-sized financial and insurance activities firm recalling that *'it was a very positive market up until Russia invaded Ukraine. Then the [industry market] crashed … substantially'.*

A further growth cost identified in Section 4.5.2 should be read alongside these perceptions. Firms described the reforms as a significant distraction for senior managers, with adviser fees secondary to the time and attention diverted into planning and succession. Where that attention is drawn away from running and expanding the business, management distraction could constitute a negative growth impact in its own right, and one that operates immediately rather than at the point a liability falls due.

Across both waves, many firms reported that factors other than the reforms had a stronger influence on their growth, but did identify BPR changes as an additional drag, citing a broad range of wider drivers. A very large manufacturer rated weak real earnings, inflation and high UK interest rates all above BPR changes, while a small retailer pointed to the continued migration of its trade online. Only one case, a micro accommodation business, reported a material increase in the significance of the BPR reforms on growth between waves. A small group of family firms reported zero growth impacts across both waves.

> *'It isn't just BPR, it's the general tax environment. I want to be clear about that. I think BPR is a big factor, but it's the general economic environment.'*
>
> **Wholesale and Retail Trade, 4th generation, 500+ employees**

Experts held varying views. One tax expert agreed with the prevailing view of family businesses that growth outlooks were generally subdued, due to a combination of larger economic headwinds alongside the BPR reforms. Another stated they were not seeing reduced growth perceptions among client firms following the reforms, and that family businesses remained optimistic.

7.1.2 A perceived penalisation of growth introduced by BPR reforms

Many cases perceived a potential by-product of the

reforms as penalising business growth, citing the mechanism of growth producing larger valuations and therefore larger potential IHT liabilities. This was cited by businesses from micro to very large, 1st to 6th generation and across six sectors. It is important to note, however, that the majority of business taxes are inherently tied to and increase with growth (corporation tax, employment taxes, etc.), so the BPR reforms contribute to an existing dynamic rather than creating a new one, but could potentially exacerbate its effects.

While this negative view of taxing growth was displayed, several of the same firms still aimed to continue growing. One very large wholesale and retail firm, which expressed a negative view of penalising growth, also said shareholders had agreed not to constrain it. This was echoed by several other firms, and one expert queried how far the reforms would change growth behaviour, given firms still retained a share of the increased valuation. In many cases, an additional tax on growth was perceived very negatively, but had yet to filter through to actual behaviour in practice.

> *'But the trouble is, if you make more money, your shares get valued higher and therefore you got a bigger bill. It's a vicious circle … I still want to grow the business.'*
>
> **Financial and Insurance Activities, 6th generation, 500+ employees**

One tax expert supported this behavioural discrepancy, explaining that while businesses had lost their full IHT exemption, capital reinvested into family businesses was still taxed at a preferable rate to retained cash or non-business assets.

> *'It shouldn't impact [businesses] because ultimately if they're not putting their money into the business … that money is subject to 40 per cent inheritance tax. So they may as well be getting the 20 per cent relief.'*
>
> **Tax specialist**

7.1.3 Growth ambitions were largely unchanged, though optimism weakened

Seven out of 20 firms that were asked about their growth aspirations explicitly stated that these remained unchanged despite the BPR reforms, but a small number foresaw reduced ambition if the reforms proved long term. Growth ambitions were consistent between waves across many cases, with a few exceptions pivoting from an expansive to a conservative posture focused on maintenance and core operations. So while the BPR reforms were not explicitly altering growth ambitions and strategy in many cases, there were signs of weakening optimism.

Somewhat counterintuitively, many of these cases were balancing growth ambitions with more defensive behaviour. A very large transport and financial services group retained a minimum 8 per cent per annum growth objective while simultaneously raising liquid reserve targets, and a very large manufacturer spoke positively about current growth while simultaneously describing a strategic intention to reduce the size of the business in future. In a second, smaller group this ambition was not accompanied by defensive behaviour: a very large transportation and storage business aimed to double each generation as the family doubled, and a mid-sized wholesale and retail trade firm had not changed its short, medium or long-term targets.

> *'If we felt there was a huge opportunity in the US … to acquire or grow there … we would take that strategic decision and then enquire into the tax liability … it's ambitious, but its conservative in terms of trying to build it from where we are.'*
>
> **Transportation and Storage, 2nd generation, 50 to 249 employees**

7.2 IMPACTS ON DECISION-MAKING

7.2.1 Offshoring was considered by a few firms, but no operating business relocated

A clear distinction emerged between personal and business relocation. Several interviewees had contemplated moving themselves overseas, but no family firm in either wave had completed or was planning a full move of the operating business out of the UK. However, some cases with existing global footprints, activity or customer bases were more open to the international offering and described potentially shifting focus and capital to non-UK operations. The BPR reforms were again characterised as one element of the overall tax environment potentially driving relocation decisions. One mid-sized firm described setting up regional hubs offshore, but attributed this to broader tax issues rather than the BPR reforms. A small, 5th generation accommodation and food services business took a similar view, noting that *'it would be a consideration, but tax in the broad sense really would be the main piece'.*

While relocation was ruled out at present by many interviewees, perceptions for the longer term or the next generation appeared far more open. One very large transportation and storage firm said the next generation was more open to moving, and the owner of a very large manufacturing firm was encouraging their children to consider relocation. Across several firms, major relocation and investment decisions were also being stalled until the next general election.

> *'We're all looking to what happens at the next election … we're not jumping for the sake of one parliament.'*
>
> **Manufacturing, 4th generation, 500+ employees**

Firms' views on relocation were generally consistent with the accounts of experts. Several experts stated they weren't seeing clients relocate their companies, with the exception of one who had seen a personal relocation.

'From my experience mobility is less than the media would have you think ... young people go overseas and they get educated there ... But usually they still belong somewhere.'

Tax specialist

7.2.2 Stalled decision-making was more often linked to uncertainty than to the reforms themselves

It was largely the uncertainty rather than the BPR reforms themselves that firms linked to stalled decision-making. Several cases reported not wanting to make significant decisions before the legislation passed. Once it had passed and been implemented by Wave 2, some uncertainty persisted around the reforms but also spread to a range of other issues. One mid-sized transportation and storage firm described holding off big decisions from concern that changes would keep coming with BPR; a very large manufacturer had paused a restructuring pending discussions over its 10-year valuation; and a mid-sized wholesale business cited advisers recommending delay to major decisions. As a large, 4th generation manufacturer put it, *'I don't want to jump one way and realise that I've jumped the wrong way'.*

Three firms described the reforms as important but not yet urgent in Wave 1. By Wave 2, they had arrived at three different conclusions. A mid-sized professional services firm had acted, completing its ownership transfer between waves and refocusing on operations. A micro accommodation and food services business had not acted, and by Wave 2 described growth and development as suspended, with decisions taken as circumstances forced them rather than to any plan. A very large retailer remained in a similar position at Wave 2 compared with Wave 1, carrying a low level of caution without any plan to deviate substantially, with a mid-sized professional, scientific and technical firm reflecting that *'it's just a case of how you manage your business with a certain amount of uncertainty'.*

Going forward, a common stance across both firms and waves was to assume the reform would stay in place. A very large manufacturer was most direct, stating strategy had to assume permanence. A very large construction firm reached the same position by Wave 2, planning on the basis the situation might worsen, and a very large transportation group built its planning around the rules as they stood rather than a change it did not expect. Only one firm planned on the possibility of release, noting it would return reserves to investment if the rules changed. This view, that a change in government would restore the previous BPR system, was echoed by an expert who had also heard it from advisory clients.

'You've got to assume it's there. We have to plan as if it's not going back. And in fact, as if it might even get worse.'

Construction, 4th generation, 500+ employees

7.3 HETEROGENEITY OF IMPACTS

7.3.1 Ownership concentration and owner age were more closely associated with exposure than size or sector

Owner age and the generation of the family business were associated with greater feelings of exposure, which was in turn reflected in expansion and growth planning. A mid-sized transportation and storage firm gave the interviewee's own age of 70 as the reason its planning horizon was short, and a large construction firm framed the question around whether the owner would survive the seven-year gifting period. Several experts supported this, with one adviser distinguishing owners in their 50s and 60s, with whom planning remained workable, from very elderly shareholders for whom the speed of change left little room.

'The age of people ... a founder who's 85, that's going to be a lot more immediate for them than someone, a company like ours.'

Financial and Insurance Activities, 6th generation, 500+ employees

Ownership concentration was also associated with significant variation in perceived impacts. A very large transport and storage business with many shareholders had not yet faced an impact but viewed successive deaths as likely to cause a cumulative drag on growth. A very large retailer described itself as insulated relative to firms where almost all shares sat with a single elderly owner. All four businesses raising ownership concentration were in the largest two size bands.

'We got 100 [shareholders], none of them have died since the rules changed ... therefore, there's no impact ... [but] in our 100, [they] won't all die at once, but it'll become a cumulative effect. So, in the long term, I think it's negative on the growth plans.'

Transportation and Storage, 5th generation, 500+ employees

Growth impacts to date were therefore best characterised as latent rather than realised. Firms perceived a penalty on growth and reported stalled decisions, but few had revised their ambitions, and the timing of effects depended heavily on owner age and ownership concentration. Many of the family businesses we interviewed were planning on the assumption that the regime was permanent, which made the medium-term outlook more consequential than present activity. Since impacts on growth and expansion are the principal channel through which employment could be affected, the next section turns to the reforms' implications for workforce and recruitment.

8. WORKFORCE AND RECRUITMENT

This section examines the potential impacts of the BPR reforms on workforce and recruitment across five sub-themes. On balance, the evidence suggests a lack of immediate, direct workforce impacts, as they were often secondary to wider policy and economic factors. Employer National Insurance contributions (NICs) and minimum wage increases were consistently identified as the primary policy constraint on workforces, while automation, AI adoption and labour supply pressures operated largely independently of BPR, with the impacts of reforms reportedly difficult to isolate from this. However, some impacts could begin to materialise in future, even if on a counterfactual 'growth forgone' basis. Where the firms included in our study did adjust, they did so through attrition, non-replacement, restrictive hiring thresholds and outsourcing rather than redundancies. This pattern was underpinned by widely articulated commitment to employee stewardship.

8.1 DIRECT OR IMMEDIATE WORKFORCE IMPACTS

8.1.1 Firms consistently reported no direct or immediate workforce impacts

A strong consensus emerged in Wave 1 that the BPR reforms would not directly or immediately affect firms' workforces. This view was held even by firms that expected significant impacts elsewhere, and was consistent across virtually all cases regardless of size, sector or situation. Many had not taken pre-emptive workforce action, but some did believe the reforms might be detrimental to employment over a long horizon, should the regime persist.

> *'No, not immediately ... the impact of all these reforms are going to be down the line ... it hasn't affected us today. It's the impact tomorrow we're all worried about.'*
>
> **Transportation and Storage, 5th generation, 500+ employees**

In Wave 2, this consensus was broadly unchanged, although in some firms perceptions became notably more negative. Three cases, all large businesses in construction, manufacturing and retail, set out significantly more negative workforce outlooks post-implementation. Perspectives were largely consistent across the remainder, while two firms softened their initial expectations of potential long-term employment damage. A large, 4th generation manufacturer warned that *'we are anticipating not only indirect labour cuts, but also direct labour cuts ... I think we will go backwards'.* One expert explained that BPR effects were small but non-zero, while another highlighted wider policy factors as more important.

8.1.2 Firms taking workforce action rarely attributed it mainly to BPR

Some firms reported decreased headcounts or definitive planned reductions, which they attributed principally to the wider policy and economic environment, with minimal sole attribution to the BPR reforms. Firms taking workforce action tended to be low margin, labour-intensive and clustered in consumer-facing areas. They rarely attributed reductions in employee numbers strongly to the BPR reforms, citing instead policy headwinds, wider cost pressures and the resulting incentive to automate.

> *'We're going to decrease the workforce. We've got operating machines ... you can also hire a machine that's operated by a company who puts their own driver on it. Many companies are now moving towards that.'*
>
> **Construction, 2nd generation, 250 to 499 employees**

In Wave 2, some firms that had taken initial employment action felt wider headwinds had worsened and intensified their action accordingly. This represented a small number of cases, as many were indifferent on employment impacts and some family businesses even softened expectations and were more optimistic. The overall consensus was that broader policy and economic pressures acted collectively as a disincentive to employ more people, reiterated across differing sizes and industries.

8.2 CONFOUNDING PRESSURES LINKED TO WORKFORCE IMPACTS

8.2.1 Employer NICs and wage floors were the primary policy constraint, ahead of BPR

Businesses and experts broadly asserted the significance of increases to employer NICs and the National Minimum

Wage/National Living Wage (NMW/NLW) on workforce outcomes, with the BPR reforms an additional but not the main point of pressure. NICs and NMW/NLW changes were generating immediate, substantial costs for a number of family businesses interviewed.

'The bigger issue for us is … she [the former Chancellor of the Exchequer] puts a non-cost onto our business of [more than 30] million pounds a year in national insurance and national living wage hikes.'

Manufacturing, 4th generation, 500+ employees

Perspectives were broadly unchanged and, in some cases, amplified in Wave 2. Micro and service-oriented firms tended to find the transition particularly difficult, given the nature of NICs changes, their wage profile and labour intensity. In some cases, grievances progressed into more general concerns around overall employment costs. This was consistent with the accounts of experts, who said that NICs and NMW/NLW changes were the biggest workforce headwind for family firms, their more imminent and definitive nature making them a bigger constraint than the BPR reforms.

8.2.2 Automation and labour supply pressures were cited as workforce constraints independent of BPR

Businesses explained they had been substituting capital and automation for labour where possible, driven by the policy above but also labour supply issues. Some cited the incentive to automate as stronger than ever and outweighing the potential effects of the BPR reforms. Many family firms mentioning AI adoption and automation did so for cost control and efficiency, largely restricted to cases where operations had high transferability between capital and labour. Others cited the impact of an ageing workforce, immigration rules and general labour shortages as key drivers of automation.

'There are other forces that encourage you to automate – the national insurance increases, the whole tax system which taxes employment – means automation, or AI, is an attractive way to reduce your manpower. But I don't think that's a BPR thing.'

Transportation and Storage, 5th generation, 500+ employees

These perspectives were predominantly unchanged in Wave 2, though some of those interviewed further elaborated on the drivers behind automation. Three family firms identified employment taxes and policy changes incentivising a shift towards capital or IT costs over staff costs, while explicitly excluding BPR from this mechanism. Some micro and service-oriented firms found the transition particularly difficult as automation was less feasible in their industries.

8.2.3 Firms could not isolate BPR effects from wider drivers

Many interviewees stated the BPR reforms' impacts on employment were difficult to isolate. Family firms explained that while the reforms could have contributed to workforce decisions, this could not be separated from key drivers including technological change, the wider policy environment, labour market issues, commercial factors and general uncertainty. Attribution difficulties were cited throughout cases, across firms that did and did not report overall workforce impacts.

'I'm not sure I can quite put that cause and effect, but they're both [BPR and other macroeconomic factors] entwined.'

Wholesale and Retail Trade, 4th generation, 500+ employees

This perception was unchanged and expressed slightly more explicitly in Wave 2. Firms appeared more cautious about linking the policy to employment, with longer timelines still needed to work through succession planning, adjust workforce strategy and experience the post-implementation landscape. One firm acknowledged strong demand in their sector masked potential employment damage, another stated logical transmission of policy to hiring could not be observed, while cause and effect were described as 'entwined' in a third. Experts also highlighted the dominance of geopolitics, AI and wider tax changes, with one tax lawyer attributing workforce pressures '*partly because of these [BPR] changes, but partly other changes such as national minimum wage and national insurance*'.

8.3 INDIRECT WORKFORCE IMPACTS AND THE COUNTERFACTUAL PERSPECTIVE

8.3.1 Forgone growth was the main channel firms linked to employment effects

While few direct workforce impacts were attributed to the BPR reforms, firms expanded on the indirect impacts of potentially inhibited investment, expansion or growth. Multiple cases argued that had planned investments, expansion or acquisition gone ahead, this could have brought employment benefits. The argument was often set in the context of firms' individual sectors and operations, including forgone new vessels, store openings and new branches, acquisitions or hospitality developments. It is important to emphasise its hypothetical and counterfactual nature.

'It has only in the sense that we might have forgone buying businesses that could have been recruited [for], and the investment we could have done might have led to more jobs.'

Construction, 4th generation, 500+ employees

Firms making these arguments continued to do so in Wave 2 and were not confined to specific cases as the theme was raised across varying size, sector and age. The perspective hardened in some firms over time, while one additional case emphasised the potential employment impacts of a forced business sale. Crucially though, many firms making this argument reported neither direct employment impacts (Section 8.1.1) nor materially weakened investment or growth at present that would facilitate it.

8.4 BROADER APPROACHES TO MANAGING EMPLOYMENT COSTS

8.4.1 Firms adjusted through non-replacement and outsourcing rather than redundancies

Regardless of their reasons, firms primarily preferred to manage employment costs through attrition, non-replacement and restrictive hiring thresholds rather than redundancies. This held across almost all cases and did not vary with firms' employment intentions, suggesting both a preference for retaining existing staff and a reluctance to bear the process and cost of workforce restructuring. A number of family businesses reported that they had consciously not filled vacancies, or had raised the threshold for doing so. Outsourcing was also frequently cited for filling workforce gaps, allowing more flexibility, agility and cost control in staffing.

This pattern continued post-implementation across almost every case that raised it initially. Restricted hiring thresholds broadened and intensified very marginally, the mechanism set out more explicitly in Wave 2 through hiring freezes and net-zero headcount policies. Hiring disincentives were cited across a broad range of business sizes and sectors, but it is important to stress there was no evidence of the mechanism being attributed to the BPR reforms specifically.

> *'Certainly, no net recruitment, no … if we have a vacancy because of a departure, we'll probably fill it, but we're probably not going to increase any net headcount in the UK.'*
>
> **Wholesale and Retail Trade, 3rd generation, 50 to 249 employees**

8.5 STEWARDSHIP OF PEOPLE AND EMPLOYEE PROTECTION

8.5.1 Stewardship of employees was reflected in how firms responded to the reforms

Among those interviewed, there was a core commitment to protecting employment and stewardship of their workforce. This central value appeared to be reflected in many workforce-based responses to the BPR reforms, particularly that covered in Section 8.4.1. Across interviews, firms self-asserted that stability, trust and the constant consideration of employees in decision-making was a distinct feature and benefit of family businesses.

> *'We regard ourselves as custodians, and the people who work here – there's only 250 of them – everybody knows everybody else … you take the longer-term view because a good person is a really good colleague, and you cut them some slack.'*
>
> **Manufacturing, 1st generation, 50 to 249 employees**

Commitment to employee stewardship was unchanged in Wave 2 and if anything reaffirmed in the context of the BPR reforms. Some firms explained that workforce protection was an explicit objective of succession planning and ownership restructuring in response to the reforms. This was consistent with the account of an expert whose family business client pressed for assurance that plans would not put employees at risk.

On the evidence gathered, the BPR reforms did not appear to constitute a material driver of workforce outcomes at the time, with firms describing it as secondary to employer NICs, wage floors, automation and labour supply pressures, and finding it difficult to isolate from them. Where firms anticipated employment effects, they did so counterfactually through forgone growth, and their adjustment mechanisms remained deliberately protective of existing staff. Having examined the impacts of the BPR reforms on specific operational areas, the final analysis section steps back to consider wider policy and business perceptions among family firms and experts.

9. BROADER ASSESSMENTS OF BPR REFORMS AND PERSONAL RESPONSES

This section covers how businesses and experts judged the reforms themselves, in terms of their fairness, design and consequences for competitiveness, and how owners and their families responded personally. Six insights are set out across two sub-themes: how the businesses and experts interviewed assessed the reforms, and personal and family perspectives. Both groups tended to characterise the reforms as disproportionate, in terms of sectoral disruption and administrative burden relative to moderate tax revenue, and were heavily critical of the policy design. Competitiveness against other ownership structures was a widespread concern, relocation was contemplated but options constrained, and younger generations were perceived as less engaged.

9.1 FAMILY BUSINESS AND EXPERT PERCEPTIONS OF THE REFORMS

9.1.1 Firms judged the sector's disruption disproportionate to revenue raised

When asked to assess the reforms and their potential effectiveness, a large number of family businesses contrasted significant harm to the family business sector with only a moderate collection of tax revenue. Interviewees from large businesses also stressed that if the sector scaled back on investment or expansion in light of IHT-related risks, this could shrink the overall tax base and government revenues. This perception was broadly sustained into Wave 2 and if anything sharpened in multiple cases.

> *'[Inheritance tax] causes a lot of unintended consequences for what is, in the greater scheme of things, quite a small amount of money.'*
>
> **Construction, 4th generation, 500+ employees**

Overall, experts echoed that the reforms could cause unintended consequences. They cited increased administrative burden and the risk of ownership structures becoming increasingly complicated, which moderate revenue projections did not fully compensate for. Future administrative burden on HMRC was also highlighted as potentially costly with some businesses potentially incentivised to contest the valuation of their shares.

> *'I guarantee that in five years' time ... there will be a lot more case law on [IHT], none of which will particularly add to the UK's economy, but it will certainly add to lawyers' fees.'*
>
> **Expert, Tax and Legal**

9.1.2 Businesses and experts were heavily critical of the policy design

Some businesses reported being comfortable with paying higher rates of tax but criticised the BPR reforms as an inefficient way to do so, perceiving policymakers to lack understanding of family businesses' realities. Firms in asset-rich, cash-poor industries criticised the reform as a 'dry tax' on illiquid assets where liquidation could have destabilising effects.[15]

> *'The bulk of the [most affected] businesses are property connected ones, they might be car dealerships or they might be hotels, but they tend to be brick and mortar.'*
>
> **Expert, Tax and Advisory**

An area of criticism from both businesses and experts was the setting of relief thresholds. While a few businesses argued thresholds should be indexed to inflation to account for rising asset values over time, one academic expert questioned the arbitrary nature of threshold setting to begin with. A legal expert highlighted that thresholds were only necessary because of the very high UK IHT rate (40 per cent), arguing instead that a lower rate applicable to all businesses would broaden the tax base without being as burdensome to any individual company.

Building on this, 'cliff-edge' policymaking and abrupt thresholds without tapering could create perverse incentives, as businesses might look to stay below thresholds by constraining growth. This pointed more generally to expert disappointment with a reform perceived as piecemeal, leaving wider problems in the IHT system unaddressed. While experts often understood the political and fairness objectives, they were across the board heavily critical of policy design.

'I'm not sure people have quite caught up with the complexity that's going to follow ... Lifetime giving has a particular set of [legal] challenges that just leaving the property in your will on death did not pose.'

Expert, Tax and Legal

Some experts, while critical, could see a potential positive impact if the reform incentivised the sale of inefficient family businesses to efficiency-improving, non-family buyers. As presented in Section 5, however, no family business cases were actively considering selling because of the reforms. A different expert suggested the tax regime might not be as direct a determinant of family ownership as other factors like family dynamics.

9.1.3 Firms feared competitive disadvantage against foreign or private equity owned rivals

Across cases there was widespread concern that the BPR reforms could negatively impact firms' competitiveness against non-family businesses. One interviewee highlighted the difficulty of competing with listed companies, as gains on selling shares in a listed firm attract CGT of between 18 and 24 per cent, against an IHT rate of 40 per cent for family businesses. Where funds must be extracted through dividends, dividend taxes (between 10 per cent and 40 per cent) make financing IHT even more expensive and represent what some family firms described as a 'double taxation trap'. These concerns were described across both waves.

Family firms whose direct competitors were foreign or private equity owned were concerned that those competitors were not facing the same bill (particularly where structured to have little equity), and this would damage their competitive position. Larger overseas businesses were also seen as able to change their jurisdiction of domicile to pay less UK tax, which family businesses domiciled here cannot do.

'The hampering of family businesses is that we don't have the access to capital that publicly traded businesses have, so to make us retain what capital we do have [in order to face] an uncertain event is economically unwise.'

Construction, 4th generation, 500+ employees

In more domestic sectors, perceptions of lost competitiveness were less strong. Some experts noted the previous regime had been particularly favourable to family businesses, and encouraged the sector to accept the growth opportunities the new one might bring, particularly where this involved bringing in the younger generation earlier and creative, solution-oriented thinking.

'Family businesses have been around for centuries. They've survived things that are much more existential threats – and they have come back more vital, creative, and entrepreneurial.'

Expert, Independent Consultant

9.2 PERSONAL AND FAMILY PERSPECTIVES

9.2.1 Relocation was weighed as a personal rather than corporate question

A few interviewees were personally considering relocation overseas in Wave 1, and mainly cited personal reasons for not yet having done so or for deciding against it by Wave 2. For small business owners the cost was broadly prohibitive, meaning only mid-sized to large business owners seriously considered it.

One 3rd generation entrepreneur described an increased likelihood of moving abroad given his perception of the UK's tax regime as unattractive, to which the BPR reforms contributed. Many interviewed family firms worried a hardening of the tax system could ultimately disincentivise UK wealth creation. BPR was one of multiple changes seen as overall unfavourable, another being changes to 'non-dom' status.[16]

'[BPR] would be a key reason [to relocate], it wouldn't be the only one, but it would certainly be a key reason.'

Wholesale and Retail Trade, 3rd generation, 10 to 49 employees

Some cases perceived relocation less as a personal option and more as a possibility for the younger generation. An owner in manufacturing echoed this, describing being past the age where relocation would make fiscal sense. It also matched interviewees often describing younger generations as more international and open to emigration.

Experts reported some clients deciding to leave the UK, although the effect of BPR was difficult to isolate from the general macroeconomic climate. They did point to the psychological stress the reform introduced as an additional personal cost, particularly where old age limited succession options.

'[Surviving seven years] is massive uncertainty [to owners] at latter stages of life, which isn't a good combination. Our clients are looking for peace of mind, knowing that the business will continue, not be saddled with massive debt in order to pay the tax.'

Expert, Tax and Legal

9.2.2 Younger generations were described as less engaged with the reforms

Younger generations of business families were generally described as less engaged with the impacts of BPR than the current or older generation of owners. Some

businesses explicitly attributed this to demographic factors and described the relevance of IHT increasing as they aged.

> *'My son at the moment is not at all interested in succession planning for his own business. He has only had it for four years … so that's not on his horizon at all.'*
>
> **Transportation and Storage, 2nd generation, 50 to 249 employees**

One large manufacturing owner described BPR as introducing a new source of uncertainty for younger generations deciding whether to join the family firm. In giving up successful outside careers, they joined partly on the promise of ownership. While this business had planned around a potential death and tried to mitigate the consequences, it could not rule out a forced sale upon an unexpected death, undermining that promise.

For a generation described by multiple owners and experts as more risk-averse than its predecessor, this increased uncertainty could have consequences for involvement with the family business. It is crucial to stress, however, that by Wave 2 this was not reported by any interviewee.

9.2.3 Interviewees perceived far lower awareness across the wider sector

Certain interviewees described lower awareness of the BPR reforms and their impacts across the wider family business sector than within their own organisation, several citing family business events where awareness was very low.

> *'I went to a roundtable … on family businesses, and out of the 80 people there, probably two-thirds were completely unaware of the implications of BPR on their businesses.'*
>
> **Manufacturing, 4th generation, 500+ employees**

These insights were predominantly collected during Wave 1, so sector awareness may have increased as implementation drew closer. This is consistent with interviewees at times describing different levels of awareness among different stakeholders within businesses, with the approach of April 2026 motivating slow movers to react.

It should be noted that participation was voluntary, and firms that engage with research of this kind are likely to be those already attentive to the policy. The accounts gathered here therefore describe the experience of more engaged, well-informed family businesses; they are not an effective basis for estimating how widely such awareness extends. This is an inherent and unavoidable feature of research of this design or nature, and therefore a question our work is not intended to answer.

Wider concerns among family firms and experts therefore broadly centred on the disproportionate effects of the BPR reforms in contrast with revenue raised, perceived flaws in the policy design, and potential competitive disadvantage created. At a personal level, some of those we interviewed reported that the reforms had introduced stress and uncertainty for owners approaching succession and raised new questions for younger generations weighing involvement in the family business. The concluding section draws our findings together across the research as a whole.

10. CONCLUSION

To date, the most significant effects of the BPR reforms appeared to be more anticipatory than operational. Across both waves of interviews, the reforms had reshaped how family businesses plan, hold cash and allocate senior attention. Generational transfers through the gifting of shares became increasingly popular among interviewees as reform implementation grew closer. Still, by Wave 2 few firms had materially altered how they invest, grow or employ. The mechanisms likely to generate real economic impact are now in place across many of the firms interviewed, but their activation depends largely on whether the regime persists and on when mortality and succession events fall.

Uncertainty, rather than the tax itself, drove much of the response we observed. Awareness of the reforms was generally very high but detailed technical understanding was considerably weaker, and this gap did not close significantly between waves. This was compounded by business valuation, the dominant structural source of uncertainty. Many family firms therefore resorted to building liquidity to insulate themselves from BPR-related uncertainty and risks, but there were difficulties associated with this. Cash reserves could themselves raise potential IHT exposure or be designated as an excepted asset falling outside relief altogether. Policy and business uncertainty was reflected in professional advice, tending towards conservatism and options that frustrated firms.

Family firms widely expected that potential shareholder IHT liabilities would have to be funded from within the business. Building cash reserves and liquidity was a key part of this process, achieved largely by diverting funds from elsewhere in the business, that could later be accessed through share buy-backs, dividends or similar approaches.

Re-prioritising liquidity was expected to bring negative economic effects, although in many firms this had not yet materialised. While some interviewees expected no economic impacts from the reforms, others feared that building cash reserves with funds that would otherwise be used for investment could hurt family businesses' growth plans and competitive position. Still, throughout our interview programme few reported having reduced their core investment, although some had started deferring expansionary projects in favour of retaining liquidity. Similarly, effects on growth, at least in the short term, remained moderate, while the expected impacts on workforce were very limited.

BPR impacts were shaped less by sector or size than by firm characteristics cutting across both. Ownership concentration, age and generational structure set the planning horizon throughout: the policy could be urgent for an elderly majority shareholder or remote for younger, more dispersed ownership bases. Most acutely, asset-rich but cash-poor firms could neither build reserves, borrow against low profitability nor dispose of assets without damaging viability.

Two factors moderated potential downsides of the reforms. First, family businesses' commitment to continuity and employee stewardship acted as a constraint on their responses, with sale a last resort in almost all cases. Second, the negative effects expected from BPR reforms seemed to be overtaken by those posed by other factors, with interviewees citing worries from wider tax and employment policy to geopolitical conditions.

These conclusions do, however, carry limitations inherent in the research design. Much of the evidence around investment, growth and employment is necessarily counterfactual, and the post-implementation window was short. A longer time horizon would be needed to observe whether anticipated effects materialise. Furthermore, these findings describe the reasoning and responses of firms that chose to participate and were already engaged with the policy. They illuminate how and why family businesses respond to the reforms but are not designed to establish how common any given response is across the entire UK family business population.

Our research limitations point directly to where further research would be most valuable. An important priority is establishing prevalence, which smaller sample, interview-based research is unable to derive. A large-scale, representative survey of the sector could test how widely the insights identified here extend, particularly among the less engaged firms this research design could not reach. Further down the line, a third wave of interviews, with sufficient delay to capture potential succession and valuation events, would also show whether anticipated impacts on investment, growth and employment materialise or dissipate.

Beyond this, three additional questions emerged from this research that warrant more dedicated work. First, what is the optimal approach to valuation HMRC should follow in this context, given the lack of precedent and newfound implications? Second, can asset-rich but cash-poor firms can ultimately fund liabilities without disposals? And third, how do accelerated ownership transfers reshape governance and performance over time?

11. IMPLICATIONS AND RECOMMENDATIONS

This section draws out the implications of our research, leveraging the full evidence base to generate a suite of recommendations directed at policymakers, family businesses and researchers. Recommendations are inherently grounded in the interview programme. Given the programme's qualitative design, small self-selecting sample and short post-implementation window, the recommendations should be read as indicative rather than conclusive. They follow from the central conclusions of the research set out in the previous section, and therefore revolve around reducing uncertainty, building understanding, and improving practical application, administration and knowledge sharing.

FOR POLICYMAKERS

Uncertainty around the valuation procedure should be reduced via sharing of clear guidance and methodologies.
While valuing businesses inherently involves a degree of subjective judgement, the BPR reforms have upped the stakes riding on that ambiguity. Valuation was the dominant source of uncertainty in this research, particularly for firms with upcoming succession or IHT events, or more complex or dispersed ownership structures. Without clarity on valuation, succession planning may become more difficult. HMRC should publish clear guidance around its valuation methodology and specific approaches used (i.e. dividend, assets or earnings-based valuation), including an approach to minority discounts, while also recognising potentially increased resourcing requirements on HMRC's valuation function.

Current designation of cash reserves as excepted assets serves to penalise liquidity, while family business continuity increasingly relies on it.
Firms building cash reserves to meet the IHT liability reported two perverse effects: reserves can raise the valuation on which the liability is assessed, and earmarked cash risks designation as an excepted asset and can therefore become ineligible for relief entirely. While the designation of cash reserves as excepted assets is an anti-avoidance measure, consideration should be given as to whether provisions could be made for reserves clearly intended to finance IHT liabilities. This could mitigate capital being driven out of trading companies and provide greater stability in financing potential IHT liabilities.

The BPR 100 per cent relief allowance should be indexed to inflation immediately.
Threshold design drew criticism from firms and experts alike, for the arbitrariness of the chosen level but particularly the absence of indexation until 2031 (HMRC, 2025a). One very large group raised indexation repeatedly across both waves, noting that unindexed thresholds draw successive shareholders into charge. Indexing the £2.5 million allowance to inflation immediately would prevent unlegislated widening of the tax base through asset price inflation. Indexation being applied from 2031 onwards signals that government recognises this argument and its validity, but this argument is no less valid in the first five years post-implementation of the BPR reforms.

A monitoring framework and post-implementation review should be committed to now, to openly assess relief utilisation, revenue raised and impacts on the sector.
Following multiple changes to the reforms, expected receipts have fallen from £520 million to £300 million by 2029–30, while firms and experts consistently judged sectoral disruption disproportionate to revenue raised (HM Treasury, Defra and DBT, 2025). Outcomes are also concentrated enough to observe, with 109 estates accounting for 50 per cent of relief costs in 2023–24 (HM Revenue and Customs, 2026c). The government should publish annual data on claims, allowance use, instalment elections and contested valuations, and commit now to a formal post-implementation review at a stated date.

FOR FAMILY BUSINESSES

Engagement with succession planning is no longer optional.

Where previously a succession upon death model justified a passive approach to succession planning, family firms that have not yet re-evaluated their exposure to IHT should now prioritise doing so. The businesses we interviewed may have been more engaged and better informed than the rest of the sector, by virtue of voluntarily opting to participate in the research. It is possible, therefore, that a part of the sector has not yet engaged with the implications of the BPR reforms for their business. For these firms, understanding exposure to IHT is essential to avoid unnecessary threats to business continuity. Firms that haven't yet done so should engage with industry bodies and family business organisations to receive guidance.

Succession, ownership structuring and exposure to IHT should be treated as a board-level resilience issue, not a private shareholder matter.

Detailed knowledge and planning around the reforms sat with owners in many cases, while boards remained aware but removed. While IHT is technically a personal or estate-based liability, raising liquidity to cover it, succession and ownership structure are inherently business issues, which have the potential to be highly damaging or generate conflict in some cases. Firms should hold succession and exposure as a standing board or management item, with named responsibility, a protocol for providing valuation information and a tested funding plan.

FOR RESEARCHERS

Future research should build on the mechanisms we have studied qualitatively to understand the elasticity of IHT receipts to policy change.

Current estimates for the revenue that will be raised by the BPR reform depend heavily on uncertain assumptions around individual behaviour (Office for Budget Responsibility, 2025). Our research draws attention to relevant channels used to mitigate IHT exposure, particularly the use of spousal allowance and accelerated gifting of assets. Future research should focus on quantitatively assessing the prevalence of these channels to build a more accurate understanding of how IHT reform affects Exchequer receipts.

Any impact estimates or quantitative analysis in this policy area should focus on realised behaviour and measurable outcomes, distinguished from reported intent.

Firms' descriptions of the reforms tended to diverge from actual behaviour throughout our research. Many reported a penalty on growth, yet ambitions were largely unchanged and core investment held up. Attention towards cash reserves likewise exceeded action on liquidity building across many cases. Future quantitative work should therefore measure realised outcomes, such as completed transfers, claims, disposals and headcount, and report stated intentions separately rather than treating them as evidence of behavioural change.

APPENDIX 1: DISCUSSION GUIDE

This appendix reproduces the Wave 1 family business discussion guide, which sets out the framework of family business interviews through the questions, lines of enquiry and topic areas covered across five substantive themes, with a sixth theme (broader assessments of BPR reforms and personal responses) compiled from the final, open-ended section reproduced below and from miscellaneous insights arising across the other five. The six themes that resulted form the structure of the analysis sections of this report. The guide provided an overarching, consistent structure as a foundation for interviews, and was tailored and adjusted in line with the context and wave of each individual business interview.

The guide was structured into five substantive themes agreed within our proposal and initial conversations with FBRF, followed by a section of broader closing questions. All five substantive themes were covered in every interview, each revolving around a core initial question that served as the opener, designed to be open-ended and broad so as to facilitate a comprehensive discussion around the theme. After any relevant follow-ups and interesting lines of enquiry had been explored, we then used the selection of further questions drafted for each theme to continue and develop the discussion. This approach struck a balance between consistent, structured insights and interviews tailored to each individual family business.

INTRODUCTORY QUESTIONS

Before delving into businesses' experience with BPR, we asked some introductory questions to understand their current position and adapt the interview accordingly. These questions touched on the following:

- The business' current situation (e.g. are they expanding? facing financial pressures?)
- Role/responsibilities of the interviewee (e.g. what is the extent of their management responsibilities?) – following questions were then tailored and aligned with the context and role of the interviewee
- Ownership structure of the firm – history of and most recent changes of ownership
- Pre-existing succession thinking and family dynamics

KNOWLEDGE OF REFORMS, PROFESSIONAL ADVICE AND PREPAREDNESS

Core question:

- How would you describe your knowledge of the upcoming BPR reforms and the potential impacts this will have on your business? Where do you tend to get your information from on this topic (internet, word of mouth, tax advisers, etc.)?

Further questions:

- How clear do you think government communications have been around the reforms? Have they been explained in a way that reflects how family businesses operate?
    - Are you aware of recent changes to the reforms? How do you stay in the loop with regards to this policy space or how often do you check for updates?
- Are you aware of what subjects your business to inheritance tax liabilities? (i.e. succession, transferral or restructuring of business ownership/assets and death)
    - How clear is the link between business decisions and IHT exposure? Any areas of uncertainty or dependent on interpretation?
- Are you aware of your business' exposure to the upcoming reforms?
    - Both in terms of the proportion of assets that qualify for relief and the value of qualifying assets, relative to the relief threshold.
- How confident do you feel in your understanding of how these reforms apply specifically to your business, rather than family businesses in general?
    - What aspects of reforms are either most relevant or unknown to your business?
    - Any areas that you think are particularly uncertain or subject to interpretation?
- Do you think your business will be more or less affected than other family businesses or businesses in your sector?
    - Are there any aspects of your business model that make you susceptible?
- At what point did the reforms start to feel 'real' and relevant to your business? Immediately following the announcement, or closer to implementation?
- Have you sought external advice to understand how the changes in BPR relief may affect your organisation?

If so, did you consult a tax specialist, your solicitor, your accountant or someone else?

  - What prompted you to seek external advice and what advice did you receive?
  - How would you describe your satisfaction with this experience and advice received? To what extent do you trust advice and it remaining valid?
  - Did this advice incur a significant cost on your business?

- Will the reforms create any additional administrative and compliance burdens?
- Are the reforms being discussed within the business/ family?
  - Who has been involved, how are the reforms being discussed and what perspectives have emerged?
- How prepared do you feel for the reforms? What has contributed to/influenced this?
  - What would full preparedness look like for you? What are the barriers to this?

OWNERSHIP STRUCTURE AND SUCCESSION PLANNING

Core question:

- Are you planning for business succession or a change in ownership structure over the coming years? How have BPR reforms influenced your thinking and planning on this?

Further questions:

- How developed or settled were your ownership/ succession plans prior to the reforms being announced? How have the reforms impacted prior plans?
- Do you anticipate your business will change ownership in the near future?
  - If so, when are you expecting this to happen? To what extent have you already planned for this transition?
- Who ultimately makes decisions around ownership and succession within the family? How concentrated or diffused is this?
  - Have the reforms impacted this, shifted decision-making power or urgency?
- Have you thought about restructuring business ownership in response to the reforms?
  - For instance, have you considered options such as: involving non-family members in ownership, transferring ownership into a trust, family investment companies, listing on stock exchange, share buy-backs? Selling altogether?
  - How likely would you be to sell the business if the BPR reforms were *not* being introduced?
- Have you considered business succession or gifting business assets earlier than planned, as a potentially exempt transfer (PET), to make use of the seven-year rule and reduce IHT liability?
- Are there practical barriers that limit the business' ability to change ownership structure? Are there any options that are theoretically attractive but impractical in reality?
- If you have considered these options, do they align with what you believe is the most appropriate ownership structure for the business at this point in time?
- How important is retaining family control of the business relative to minimising tax exposure? Are there any tensions between financial efficiency and long-term stewardship?
- Do you think that different generations of the family are thinking about the reforms any differently? Have the reforms had an impact on the younger's generation interest in becoming involved with the business?
- Could ownership or succession changes prompted by the reforms impact business stability or performance?
- Have the proposed BPR changes changed the amount of time and resources dedicated to succession planning? If so, has this had a monetary impact on business costs?
  - What impact do you think this will have on the business?
  - Over what time horizon does your succession planning typically take place?

INVESTMENT AND ASSET ALLOCATION

Core question:

- Do you anticipate making any changes to your investment strategy or asset allocation as a result of the upcoming BPR reforms and tax liabilities?

Further questions:

- How have the reforms influenced your business' investment attitude or strategy?
    - In terms of risk aversion, return-on-capital requirements, etc.
    - Or in terms of investment time horizons. Are you more cautious about long-term capital commitments?
- How do the reforms interact with other economic pressures facing your business?
- Are you delaying, accelerating or re-prioritising any planned investments because of the reforms?
- Have the reforms influenced your business' asset mix or strategy around this?
    - In terms of balance between operating versus non-operating/investment assets, or core business operations versus diversification?
- Are you considering divesting or deprioritising certain assets ahead of the reforms to reduce exposure to non-qualifying assets?
    - If so, what impacts, if any, do you anticipate this restructuring could have on the business?
    - Could divestment or restructuring affect capacity or competitiveness?
- Under the new BPR rules, how do you foresee, if at all, that your business' liquidity could be affected?
    - If facing liquidity constraints, how significant do you expect those to be, and what consequences might they have for the business?
    - Have you taken, or are you considering, any steps to mitigate potential liquidity pressures in advance of succession?
    - Closer to succession, would you consider building up liquidity, by, for instance, taking out new loans?
- Have the reforms had any impact on your approach to debt versus equity financing?
- Are these investment and liquidity decisions short-term tactical changes, or long-term structural ones? Have they already been made, or are they contingent on further clarity?
- Have you sought any guidance from financial or tax advisers in response to the upcoming BPR reforms? What advice have they provided?
- Have you considered transferring or gifting business assets to family members before the reforms take effect in order to reduce potential tax liabilities?
    - Or gifting business assets early – has the seven-year rule altered your thinking on timing?
- Have you considered changes to your business' philanthropic activities as a result of the BPR reforms? Are these decisions becoming more tax-driven?

GROWTH, EXPANSION AND DECISION-MAKING

Core question:

- Overall, how do you expect, if at all, the BPR reforms to affect your business' growth or expansion, in the short, medium or long term? How?

Further questions:

- How would you describe your business' expected growth trajectory if BPR reforms were not being introduced?
    - To what extent do you see changes in growth as temporary adjustments versus permanent shifts?
- Has potential growth been affected because of succession itself, or anticipation, preparation and adjustment in light of future/eventual succession?
    - Are you facing trade-offs between preparing for succession and investing in/committing to growth?
    - Have the reforms changed the balance between reinvesting profits back into the business versus extracting value and paying out dividends?
- Have the upcoming BPR changes influenced your company's growth targets or any pre-existing growth strategies? Created any new opportunities or constraints?
    - Have you undertaken any scenario planning or 'what if' assessments centred on the reforms?
- Have the reforms influenced how you want to grow? (i.e. organic versus acquisition-led)
- Do you think the reforms affect your competitive position relative to non-family businesses or overseas competitors? If so, to what extent?
    - Do they put you at disadvantage when competing for new business/investment?

- How is the business responding to any potential uncertainty created by the reforms? Are you pausing or proceeding differently with strategic decisions?
    - Are there any expansion, acquisition or divestment decisions being timed around the anticipated implementation of BPR reforms?
    - Are decisions being deferred or postponed until post-implementation?
- Do you anticipate that the reforms will impact cost planning in your business?
    - If you anticipate increased costs, have you taken pre-emptive measures, such as precautionary saving or reducing salaries/dividends, to prepare for the changes?
    - Is this something you would consider in the future closer to any potential succession?
- Is management resource/focus being diverted away from growth initiatives?
- Have you considered relocating all or part of your business operations overseas in response to the BPR reforms?

WORKFORCE AND RECRUITMENT

Core question:

- Do you anticipate the upcoming changes to BPR relief to have any impact on your workforce? Will there be any influence on hiring/recruitment plans or potential redundancies?

Further questions:

- If BPR reforms were not being introduced, how do you think your business' workforce would evolve over the next few years?
    - How would you describe your current approach to workforce planning and recruitment strategy, and has this shifted in anticipation of the reforms?
    - Has workforce planning become more cautious or conservative?
- To what extent do any anticipated workforce changes reflect the reforms versus broader economic/fiscal conditions?
- Are the reforms influencing your decisions around hiring new staff, retaining skills or expanding your workforce?
- Do you envisage that any cost concerns related to the reforms will have any influence on pay decisions, benefits, training investments or staffing levels?
- Have the reforms influenced decisions around the composition of the workforce?
    - Have they influenced decisions around investing in higher-skilled roles or specialist expertise?
- Are you placing more emphasis on productivity or efficiency improvements as opposed to headcount growth?
- Are workforce decisions being delayed or phased differently because of the reforms, and is there any potential uncertainty around this?
    - Are you prioritising any short-term or flexible staffing arrangements?
    - Have you considered using contractors or temporary staff, or outsourcing?
- Have the reforms been discussed with employees and the business workforce? How?
    - If not discussed, do you think employees are aware of these reforms and their potential impacts on them?
    - Do you think uncertainty and concern here could affect staff confidence?
- Do you expect the reforms (and potential issues created by them) to impact staff retention, and the ability to compete for talent relative to non-family businesses?
    - Are there any roles/levels in particular that will experience issues here?
- Have the reforms affected the involvement of family members within the workforce or changed any roles/responsibilities?
- What impact do you believe potential ownership changes or restructuring could have on the business' workforce?
    - Would potential changes have an impact on company values, culture, ethos?

FINAL BROADER QUESTIONS

The structure of previous themes and the design of questions within them were tailored to elicit specific, objective insights and to remove the impact of emotions and opinions as far as possible. To finish the interview, we posed more open-ended, broader questions that allowed for subjective responses and opinion while remaining balanced and avoiding the introduction of bias. Responses to this section, together with miscellaneous insights arising elsewhere in the interviews, were compiled into the sixth analytical theme: broader assessments of BPR reforms and personal responses.

Final questions:

- Finally, what is your overall view of the proposed BPR reforms? What do you think their net effect will be?
- Do you think the reforms strike a fair balance between raising revenue and supporting family businesses?
    - Do you feel the reforms adequately recognise the differences between asset-rich and cash-poor businesses?
- Do you foresee any positive impacts of the reform, either for the family business sector or for the wider economy?
- Away from the business perspective, how do you feel about the BPR reforms from a personal or family perspective?
- Do you feel more or less confident about keeping the business in the family as a result of these reforms? Have they altered your long-term commitment to the business?
- How would you describe the general sentiment among other family businesses you speak to regarding these reforms?
- What is your view of the UK's tax regime on family businesses compared to those in other countries?

APPENDIX 2: CODING TABLES

Cebr employed a comprehensive, three-tier framework to analyse and structure all qualitative data collected in interviews. First, individual codes were comprehensively generated and applied within each individual interview transcript, capturing all substantive content discussed by interviewees, with each point coded into a short descriptive noun phrase (set out in more detail in Section 2.4.1). Then individual codes were organised into inductive sub-themes, driven wholly by the qualitative interview data. At a higher level, sub-themes were organised into six overarching themes, which were deductive and followed the core structure of interviews.

Table 1 sets out the full theme and sub-theme framework that was developed within the transcript coding process, along with full definitions for each sub-theme.

Table 1: Full specification of themes, sub-themes and definitions used within coding and analysis

Theme	Sub-theme	Definition
T1: Knowledge of reforms, professional advice and preparedness	T1.1: Level of awareness and technical understanding	Self-reported and demonstrated knowledge of the reforms, including gaps between headline awareness and technical grasp of the mechanics. Includes the awareness ranking response.
	T1.2: Information sources and self-directed research	Where the business gets its information: primary legislation, membership/representative bodies, media, peer networks, professional briefings.
	T1.3: Use of, reliance on and satisfaction with professional advisers	Engagement with tax specialists, accountants, solicitors; the quality, consistency, cost and timeliness of advice; in-house capability substituting for external advice.
	T1.4: Government communication, timing and policy stability	Perceived clarity, adequacy and timing of official communication about the reforms as implemented, and the quality and extent of government consultation. Excludes generalised evaluative statements about government's competence or understanding of family businesses.
	T1.5: Clarity on reform mechanics and areas of uncertainty	What the business does not yet know and cannot resolve, including share and business valuation methodology, scope of qualifying assets, and interaction with existing IHT rules.
	T1.6: Specific provisions identified as most relevant to the firm	The particular elements of the reform package the business identifies as material to it, and why.
	T1.7: Internal discussion, governance and who is involved	Who inside the business and family is discussing the reforms, in what forum, and how perspectives differ; the role of trustees, board and executive management.
	T1.8: Perceived preparedness, compliance and administrative burden	Self-assessed readiness, what full preparedness would look like, barriers to it, and any additional compliance or administrative cost created.
	T1.9: Expectations of future policy stability, reversal or further change	Beliefs, hopes and expectations about whether the reforms will persist, be reversed or be revised further, and the effect such expectations have had on the timing and confidence of planning.
T2: Ownership structure and succession planning	T2.1: Pre-existing succession position, horizon and family dynamics	How settled succession plans were before the reforms; the normal planning horizon; generational structure and pre-existing family dynamics. Provides the counterfactual baseline.
	T2.2: Acceleration and reprioritisation of succession planning	Whether and how far the reforms have brought forward, intensified or reordered succession planning, including time and resource now devoted to it.
	T2.3: Pre-emptive and completed actions on ownership transfer	Actions actually taken or in train: share transfers, gifts, potentially exempt transfers, use of the seven-year rule, timing around fiscal events.
	T2.4: Trust structures, periodic charges and restructuring	Trusts as ownership vehicles; 10-year and exit charges; dissolution, variation or creation of trusts; ability of a trust to fund its own charge.
	T2.5: Risks and practical barriers to accelerated transfer	Why bringing transfer forward is risky, impractical or destabilising: loss of control, capability of recipients, irreversibility, family readiness, non-tax consequences.

Theme	Sub-theme	Definition
	T2.6: Shareholder base composition, capability and governance	Consequences of transfer for the shareholder register and for decision-making: dispersion of holdings, experience of new shareholders, consultation requirements, governance friction.
	T2.7: Share liquidity, buy-backs and shareholder exit	Marketability of shares in an unlisted family company; pressure for buy-back mechanisms or higher distributions; expected shareholder exit demand and the liquidity needed to meet it.
	T2.8: Family decision-making, consensus and conflict	How ownership and succession decisions are made across the family; where decision rights sit; degree of consensus; current or anticipated conflict.
	T2.9: Next-generation engagement, involvement and motivation	Attitudes and involvement of younger family members: interest in ownership and management, engagement programmes, effect of the reforms on their appetite to participate.
	T2.10: Commitment to family ownership versus sale	Strength of intent to retain family ownership and stewardship; conditions under which sale would be contemplated; effect of the reforms on long-term commitment.
T3: Investment and asset allocation	T3.1: Liquidity, cash retention and funding of tax liabilities	Building, holding or earmarking cash and other liquid reserves to meet anticipated charges; where that liquidity is held; how the liability would be funded, including the shareholder-level tax mechanics (dividend grossing-up, cascade taxation across capital gains, corporation and dividend tax) of funding trust and periodic charges via distributions.
	T3.2: Deferral, cancellation or acceleration of specific investments	Identifiable investments delayed, abandoned, scaled back or brought forward, and the stated reason, including extending the working life of existing assets and continuing only necessary maintenance or replacement capital expenditure in place of growth investment. Record the asset, value and decision point where given.
	T3.3: Investment appraisal criteria, hurdle rates and gearing	Changes to required returns, payback periods, risk tolerance and acceptable gearing in the appraisal of new investment.
	T3.4: Asset mix: qualifying, non-qualifying and investment assets	Balance between BPR-qualifying trading assets and non-qualifying or investment assets; operating versus non-operating assets; diversification; minority stakes.
	T3.5: Divestment, subsidiary sale and asset disposal	Selling, part-selling or winding down assets and subsidiaries, whether to raise cash, reduce exposure or simplify structure.
	T3.6: Valuation as a determinant of investment capacity	How share and business valuation methodology and outcome drive the size of the liability and hence the cash the business must retain and the investment it can fund.
	T3.7: Financing: debt versus equity and external capital	Use of borrowing, refinancing or external equity to meet liabilities or maintain investment; effect on cost of capital and covenant capacity.
	T3.8: Gifting of assets and philanthropic activity	Gifts of shares or business assets to family members; philanthropic giving by the business or by individuals and whether it is becoming tax-driven.
	T3.9: Geographic reallocation of investment	Redirecting investment away from or towards the UK; overseas asset acquisition; location of new capacity.
	T3.10: Life insurance and self-insurance as a liability-funding mechanism	Use of life insurance, self-insurance and related products to pre-fund an anticipated IHT or periodic charge liability, including take-up, cost, availability, adequacy of cover, and any explicit decision not to take out cover.
T4: Growth, expansion and decision-making	T4.1: Growth trajectory and counterfactual growth path	Expected growth with and without the reforms; short-, medium- and long-run differences; whether changes are temporary or permanent. Includes the growth impact ranking response.
	T4.2: Shift from expansionary to defensive posture	Movement from growth-seeking to protective or consolidating strategy; increased caution; precautionary saving.
	T4.3: Growth targets, strategy and aspiration	Formal growth targets and strategic plans; whether they have been revised; organic versus acquisition-led growth.
	T4.4: Reinvestment versus distribution and extraction	Balance between retaining profit for reinvestment and extracting value through dividends, buy-backs or other distributions.
	T4.5: Growth as a tax penalty	The perception and mechanics of growth increasing valuation and therefore future liability, and any resulting disincentive to grow.

Theme	Sub-theme	Definition
	T4.6: Policy uncertainty and the timing of decisions	Decisions paused, brought forward or timed around Budgets, consultations and commencement; scenario planning; gambling on policy reversal of the current reform itself. Excludes contingency planning keyed to the electoral cycle or a change of government, which is T4.13.
	T4.7: Management time, resource and focus	Diversion of management and family attention, time and cost away from operations and growth initiatives towards reform planning.
	T4.8: Risk profile of projects and investment quality	Effect of higher return requirements and constrained capital on the risk characteristics of the projects that proceed.
	T4.9: Constraints on deliberately limiting growth	Why the business cannot or will not restrain growth to manage the liability: external management, employee and executive retention, commercial obligations, competitiveness.
	T4.10: Offshoring, redomiciling and restructuring	Consideration of moving the business, its head office, its assets or family members overseas; feasibility, cost and barriers.
	T4.11: Heterogeneity: firm characteristics affecting exposure	Why the impact differs across family businesses: founder or owner age, generation, structure, sector, asset intensity, size, trust arrangements, timing.
	T4.12: Incidence and distortion	Where the impact actually falls (business, shareholders, family) and the behavioural distortions the reform design creates.
	T4.13: Political cycle and change-of-government contingency	Investment, mitigation and transaction decisions explicitly conditioned on the outcome of the next general election or a change of government (e.g. 2028–29), as distinct from timing tied to the current reform's own Budget, consultation and commencement cycle (T4.6).
T5: Workforce and recruitment	T5.1: Direct and immediate workforce impacts	Recruitment, redundancy, pay or staffing decisions attributed directly to the reforms. Includes the workforce ranking response and explicit statements of no direct impact.
	T5.2: Indirect workforce impacts via the investment channel	Employment consequences that would follow from reduced or deferred investment rather than from the tax liability itself.
	T5.3: Confounding drivers of workforce decisions	Other policies and forces currently driving workforce decisions, excluding employer National Insurance and minimum/living wage increases (see T5.11): employment legislation, automation and artificial intelligence, immigration, sector-specific demand shocks and general cost control.
	T5.4: Attribution difficulty	Explicit statements that BPR effects on employment cannot be separated from other concurrent drivers. Record these: they are a constraint on what the study can claim.
	T5.5: Headcount management without redundancy	Tightening headcount through attrition, non-replacement, hiring freezes and efficiency rather than explicit restructuring or redundancy.
	T5.6: Early careers, apprenticeships and training	Effects on entry-level recruitment, apprenticeships, graduate pipelines and investment in training and development.
	T5.7: Workforce composition, skills, pay and retention	Changes to the mix of roles, use of specialists, contractors or outsourcing, pay and benefits decisions, and ability to retain and compete for talent.
	T5.8: Family members in the workforce and next-generation career incentives	Involvement of family members as employees or managers, and the effect of the reforms on younger family members' incentives to build careers in the business.
	T5.9: Employee awareness, communication and confidence	Whether and how the reforms have been discussed with employees; employee awareness; effects on staff confidence and morale.
	T5.10: Stewardship of people and employee protection	Statements of intent to protect employees and prioritise workforce stability, including where this constrains other responses to the reforms.
	T5.11: National Insurance and minimum/living wage as confounding cost pressures	Employer National Insurance and minimum/living wage increases specifically identified as workforce cost pressures competing with, or seen as more material than, the BPR reforms, including quantified estimates of their cost.

Theme	Sub-theme	Definition
T6: Broader assessments of BPR reforms and personal responses	T6.1: Overall assessment of the reforms and expected net effect	Summary judgements on the reform package and its overall consequences for the business, the sector and the economy.
	T6.2: Fairness, competitive position and recognition of business realities	Perceived fairness of the reforms relative to competitors not facing an equivalent tax (non-family, overseas, private equity or listed); whether asset-rich, cash-poor businesses and farmers are adequately recognised. Perceived government and policymaker understanding, engagement and motives are covered in T6.9.
	T6.3: Corporatisation, sector diversity and community effects	Expectations that the reforms will drive consolidation, sale to larger or overseas owners, or loss of local and community benefits associated with family ownership.
	T6.4: Entrepreneurship, wealth creation and incentives	Effects on the incentive to create and retain wealth in the UK; cultural and social attitudes to wealth creation; historical and international parallels drawn by respondents.
	T6.5: Sector-wide sentiment and observations of other firms	Characterisation of how other family businesses are reacting, including reported behaviour that is not the respondent's own. Do not treat as firm-level evidence.
	T6.6: Personal and family perspectives	Views expressed from a personal or family standpoint rather than as owner or manager of the business.
	T6.7: Perceived benefits or positive effects	Any positive consequences identified, for the business, the sector or the wider economy.
	T6.8: International comparison and UK tax competitiveness	Comparison with the treatment of family businesses and business succession in other jurisdictions.
	T6.9: Perceived government and policymaker understanding, engagement and motives	Perceived understanding (or its absence) of family business realities among the government, Treasury, the Chancellor and ministers; perceived engagement with business representations; perceived motives, competence and communication in designing and introducing the reforms.

Table 2 provides more granular information around Cebr's transcript coding process. For each of the 62 total sub-themes within our analytical framework, this table sets out the number of code applications that were assigned into each one, along with the proportion of these code applications relative to the total number across all interviews and sub-themes (4,944).

Table 2: Full specification of sub-themes: top three codes, number of code applications and share of total

Sub-theme	Example codes	Number of codes	Share of total
T1.1	Ranking: awareness and knowledge of reforms (1–10); Unchanged since W1: awareness of reforms not developed or extended further; Changed since W1: focus shifted from influencing draft legislation to how it will work practically	113	2.3%
T1.2	Briefings from representative bodies and tax advisers; Monitoring political and Budget commentary; Peer learning through business-school courses viewed as important to succession planning	54	1.1%
T1.3	Cost of advice; Advisers present a range of options without a clear recommendation; In-house or trustee expertise substituting for advisers	180	3.6%
T1.4	Perceived lack of forethought in policy design about downstream 'what if' scenarios; Perceived that media and policy coverage of the reforms focuses on farmers, overlooking family businesses; Perceived HMRC resourcing and productivity issues could cause protracted multi-year valuation disputes	107	2.2%
T1.5	Uncertainty over how HMRC will value shares; Only a simple balance-sheet assessment of valuation exposure undertaken; Valuation incentives diverge between minimising tax and maximising sale price	202	4.1%
T1.6	Relevance of the allowance/cap threshold; Fixed allowance threshold not scaled to business size, disadvantaging large long-standing businesses; 100% to 50% relief identified as the most material change	109	2.2%
T1.7	Discussion concentrated in the family and among trustees; Succession discussed mainly with mother; wife and brother remain hands-off and defer to respondent's decisions; Reforms not discussed with family as minority shareholders have no active involvement	70	1.4%

Sub-theme	Example codes	Number of codes	Share of total
T1.8	Self-assessment of having taken sensible precautions; Long-range tax planning seen as pointless while implementation timing keeps shifting; Professional judgement; personal liability may deter people from acting as executors	51	1.0%
T1.9	Expectation that rules may change again under a future government; Expectation the reform would not proceed caused an 18-month delay within the seven-year window; Expectation that a future government with business grounding could reverse the reform	69	1.4%
T2.1	No succession planning previously needed under full pre-reform BPR relief; Exposure of the current owner generation by age; Continuous long-horizon succession thinking predating the reforms	157	3.2%
T2.2	Ranking: high impact on succession; attitude is to mitigate, not concede; Reforms have accelerated planning even though underlying intentions unchanged; Changed since W1: succession planning paused until political certainty emerges	116	2.3%
T2.3	Gifting now considered, conditional on owner surviving seven years; Dissolving trusts to start the seven-year clock earlier; Hypothetical illustration; gifted shares must be sold to fund the tax, leaving little value	211	4.3%
T2.4	Timing of the periodic charge relative to commencement; Trusts considered as one of several alternative mitigating structures; Action considered and rejected; certain trust structures rejected due to complexity, administrative cost and irreversibility	160	3.2%
T2.5	Risk of an unexpected death before the seven-year period elapses; Jeopardy of forced sale from an unexpected death remains despite mitigation efforts; Expert judgement; lack of planning weakens owners' negotiating position against opportunistic buyers	156	3.2%
T2.6	Ownership expected to subdivide across a growing number of descendants each generation, losing scale economies; Majority of trust beneficiaries are next-generation family members, not the older generation; Changed since W1: full share transfer to sole heir replaced by split holdings	120	2.4%
T2.7	No effective market or buyers for minority shares; Expert judgement; illiquidity of privately held shares is the core practical funding problem; Stock exchange listing considered and rejected as the route to share liquidity	58	1.2%
T2.8	Balancing individual separation with collective togetherness, illustrated via a sports-team analogy, aids family decision-making; Succession coaching examines whether every family voice is heard and how collaborative decisions are made; Unequal historical wealth extraction among family shareholders creates parity conflict risk	95	1.9%
T2.9	Conservative rather than disruptive posture among the next generation; More proactive engagement to build ownership understanding; Multiple younger family members now working in management positions in the business	108	2.2%
T2.10	Owner intends the family to retain and continue the business; Outright sale considered and rejected as an alternative to succession; New since W1; action taken – actively seeking a buyer to sell the business	143	2.9%
T3.1	Increased attention to liquid reserve targets; Action planned; drawing down personal pension pot ahead of it becoming subject to IHT; Debt-free but not cash-rich; recurring vehicle and equipment costs prevent building a cash reserve	223	4.5%
T3.2	No investments deferred or changed as a result of the reforms; Action taken; continuing necessary equipment replacement to sustain operations, distinct from growth investment; Action taken; Ceased acquiring let property since non-operational assets do not qualify for relief	127	2.6%
T3.3	No change to investment risk appetite or return-on-capital requirements reported; Acceptable gearing in the holding company reassessed; Investment decisions guided by instinct rather than formal appraisal criteria	41	0.8%
T3.4	Cash reserve risks HMRC reclassifying it as a non-qualifying 'excepted asset', increasing the liability; Policy on non-qualifying assets unchanged despite weaker incentive; Rented non-operational land does not qualify for relief, creating an estimated £500,000 capital gains cost	99	2.0%
T3.5	Liquidity for a future IHT charge would likely require selling assets; Subsidiary disposal as a buffer against the tax liability; Divestment of a major property asset considered and rejected	63	1.3%
T3.6	Valuation settled through negotiated compromise between accountant's and HMRC's estimates; Ranking: impact on investment and asset allocation; Illiquid land market shown by neighbouring farm failing to sell after being outbid years earlier	102	2.1%
T3.7	Debt financing seen as a plausible future funding option; Debt finance also considered a plausible source of liquidity for a future charge; Action considered and rejected; Debt finance impractical for an already debt-heavy company	61	1.2%
T3.8	No expected change to philanthropic activity; Gifting of shares but not of business assets; Action considered; Transferring more personal assets/revenue into charity, a loss to government	18	0.4%

Sub-theme	Example codes	Number of codes	Share of total
T3.9	Action taken: increased overseas investment in one business area because returns there are better; Action anticipated: proportionately greater future investment directed to Ireland than UK; Action taken: geographic investment focus currently limited to Ireland pending strategy review outcome	10	0.2%
T3.10	Action planned: take out ~£4m life insurance for joint death within seven years; Action taken: building liquidity to fund insurance premiums, seen as an unnecessary added expense; Action taken: life insurance held to cover risk of death within seven years	19	0.4%
T4.1	No impact on growth or expansion currently anticipated; Macroeconomic weakness, especially weak real earnings growth, seen as bigger threat than BPR; Cost-push inflation and demand restraint policies seen as risking a GDP squeeze over 2–3 years	119	2.4%
T4.2	Fleet replacement now conducted one-for-one rather than net fleet growth; Action taken: investment strategy completely derailed, prior plans dropped; Action taken: declining new expansion opportunities that would previously have been pursued	73	1.5%
T4.3	Growth aspiration not expected to change; Growth targets and long-term planning still adjusting to the cumulative impact of recent headwinds; New management and incentivisation expected to help achieve greater growth	64	1.3%
T4.4	Drawing down value via dividends considered, extracting assets from business; Higher dividend policy or active buy-back scheme required within 10 years; Perverse incentive to extract cash and avoid retained profit rather than build business value	41	0.8%
T4.5	Higher profit raises valuation and therefore the liability, creating a circular disincentive; Growing business value seen as increasing the future tax problem; All subsidiaries would face harmful competitive effects from slower reinvestment	53	1.1%
T4.6	Investment decisions delayed until the detail was announced; BPR framed as 'important but not urgent' until commencement approaches in April; Action taken: planning proceeds on current rules in place, not on hoped-for policy reversal	67	1.4%
T4.7	Significant management time diverted to IHT mitigation planning instead of core business; Management attention deliberately shielded from the succession-tax issue; Indirect impact via managerial distraction of restructuring the business	26	0.5%
T4.8	Higher required returns push the business towards riskier projects; Long horizon to the next charge means risk appetite unchanged for now; Building a niche brand portfolio has taken years and carries risk	14	0.3%
T4.9	Third-party management makes constraining growth impractical; Instructing management to limit growth risks losing the chief executive; Action conditional; retaining key management personnel is the main risk to the plan	10	0.2%
T4.10	Capital gains and residence rules make relocation impractical; Relocation of the head office not under consideration; Next generation more open to living abroad, partly tax-driven	72	1.5%
T4.11	Unpredictable timing of the triggering event shapes the planning approach; Founder age makes the issue far more immediate for some firms; Timing of the periodic charge relative to commencement is decisive	85	1.7%
T4.12	Impacts felt by shareholders rather than by the operating business; Reforms create distortion incentivising offshore reinvestment over domestic reinvestment; Difficulty extracting profit is felt by both the business and its shareholders	6	0.1%
T4.13	Action conditional: re-election of Labour with continued policy would prompt more radical tax planning; Action conditional: investment plans affected if future coalition raises taxes on private business ownership; Action planned: investment plans from 2028 onward shaped by anticipated post-election policy landscape	15	0.3%
T5.1	No immediate workforce impact reported; No direct workforce impact reported: other commercial risks more material; Hypothetical illustration: 400 jobs at risk if owner dies within seven years	57	1.2%
T5.2	Neutral today but material if asset investment stops; Indirect workforce impact: paused development would have created permanent staff roles; No new vessel means no crew for that vessel	21	0.4%
T5.3	Headcount reduction driven by automation and efficiency; Rising staff costs absorbed rather than passed on, unrelated to BPR; Full-time drivers leaving for part-time roles because in-work benefits make reduced hours more financially attractive	27	0.5%
T5.4	Workforce risk attributed to commercial factors, not the reforms; BPR considered more existential than employer NICs, though the macro environment weighs more heavily overall; Current workforce decline attributed to rising employment costs rather than the reforms directly	24	0.5%
T5.5	Not replacing or adding staff rather than making redundancies; Action taken: reduced hours in smaller subsidiaries instead of redundancies or matching minimum wage rises; Action taken: caution on hiring/costs rather than pay cuts, given low-paid workforce	19	0.4%

Sub-theme	Example codes	Number of codes	Share of total
T5.6	Training new entrants no longer cost-effective given minimum wage levels, compounding an ageing workforce; Management historically promoted internally from ground-level entrants rather than external recruitment; Apprenticeship uptake declining as low-skill minimum wage retail jobs are seen as more attractive than apprenticeships	15	0.3%
T5.7	Modest workforce growth alongside a stronger focus on cost and value for money; Persistent shortage of technical/vocational recruits (drivers, operators, mechanics); Family ownership perceived to help attract and retain staff owing to workplace atmosphere	51	1.0%
T5.8	Greater willingness among younger family members to work overseas; Tax reduces the incentive for the next generation to create wealth in the business; Action taken: increased effort to bring next-generation family members into employment in the company	15	0.3%
T5.9	Employees believed to have no awareness of the reforms at all; Concerns kept from staff so they do not carry the burden; Staff perceived to overestimate family business wealth, expecting unaffordable pay rises	27	0.5%
T5.10	Stewardship of employees emphasised as a core priority; Family owners personally on call for operational problems around the clock, unlike employed managers; Stewardship ethos; careful reinvestment and prioritising staff and customers over profit-taking	26	0.5%
T5.11	Minimum wage and employment legislation deterring recruitment; Employer National Insurance increase identified as a binding cost, quantified at approximately £400,000 per year; Agreement that BPR combines with NI and employment rights changes into a cumulative damaging burden	42	0.8%
T6.1	Acceptance of paying reasonable tax in principle, but the reform regarded as disproportionate in scope; Expert judgement: family businesses have historically survived existential threats far greater than this reform; Hypothetical alternative: replace IHT with higher personal or company taxation	257	5.2%
T6.2	Multiple additional regulatory levies (e.g. environmental agency charges) compound the cumulative tax and compliance burden; Overseas or private equity owned competitors do not pay BPR, seen as unfair tax; Farmers characterised as asset-rich but cash-poor, unable to fund liabilities from low farm income	153	3.1%
T6.3	Hypothetical: losing family ownership would change business culture entirely; Scotland perceived as disproportionately affected owing to a higher prevalence of family businesses; Reforms expected to shift balance from family businesses towards large corporate and online retailers	99	2.0%
T6.4	Reforms framed as a disincentive to wealth creation; A new business would be established offshore rather than in the UK; Reforms expected to push family businesses toward more deliberate self-reflection	67	1.4%
T6.5	Widespread awareness of headlines but limited understanding of the detail; Larger competitor firms poach apprentices trained by others rather than training their own; Observed outcome; comparable listed historic houses failing to sell despite being viable businesses	156	3.2%
T6.6	Personal relocation overseas considered probable, driven by cumulative tax changes not BPR alone; Personal relocation overseas has crossed respondent's mind but not been pursued; Personal observation: getting older brings closer attention to news that directly affects you	54	1.1%
T6.7	Tax reforms viewed as having spurred increased sector lobbying and collective voice; Earlier succession as a benefit in bringing innovation and energy; Scepticism that Treasury tax receipts justify the harm once affected businesses cease trading	47	1.0%
T6.8	British families perceived as culturally more reluctant to discuss family dynamics than non-British families; No UK professor of family business, unlike other countries with academic centres; International comparison: overseas acquirers target family businesses with unresolved succession	33	0.7%
T6.9	Policymakers perceived to lack understanding of family business realities; Government perceived to view family businesses as a revenue source, not something valued; Unchanged since W1: current government perceived to lack understanding of business realities	67	1.4%

NOTES

1. AIM (the Alternative Investment Market) is the London Stock Exchange's market for smaller, growing companies. Shares traded on AIM are treated as 'unquoted' for inheritance tax purposes, which historically made them eligible for Business Property Relief (HM Revenue and Customs, 2026b).
2. The European Commission's definition classifies a firm as a family business where the majority of decision-making rights are held by the founder or their family, at least one family member is formally involved in the governance of the firm, and for listed companies the family holds at least 25 per cent of decision-making rights (European Commission, 2026).
3. ITL1 geographies are the 12 major socio-economic areas used for national statistics and economic analysis, including the nine English regions, Wales, Scotland and Northern Ireland (Office for National Statistics, 2025).
4. Clawback provisions allow tax authorities to reclaim inheritance tax relief where the inherited business or assets are sold within a specified period, ensuring relief supports genuine business continuity rather than a short-term tax saving.
5. This approach, known as a triple-differences model, isolates the effect of a policy by comparing changes over time between groups affected and unaffected by it (Olden and Møen, 2022).
6. When someone dies, their assets are revalued for CGT purposes. The CGT uplift on death means that the person's assets are taken for their market value on the date of death, that is, any capital gains that accumulated during the person's lifetime are wiped out and no CGT is payable on those gains (HM Revenue and Customs, 2026a).
7. A potentially exempt transfer (PET) is a lifetime gift that becomes fully exempt from inheritance tax if the donor survives for seven years after making it. If the donor dies within that period, some or all of the gift becomes chargeable (HM Revenue and Customs, 2026d).
8. Assets held in most trusts are subject to a periodic inheritance tax charge every 10 years, currently at a maximum rate of 6 per cent of the value of the trust's assets, alongside charges when assets enter or leave the trust. Where business assets previously attracted full relief these charges had little effect; the capping of BPR makes them newly relevant (HM Revenue and Customs, 2025b).
9. Growth shares are a separate class of share that only acquire value above a pre-set threshold. Issuing them to the next generation means the existing owners retain the company's current value while future growth accrues to the successors, limiting the value, and therefore the potential inheritance tax, attached to the transferred shares.
10. Alphabet shares are separate classes of ordinary share (A shares, B shares and so on) that allow a company to attach different dividend, voting or capital rights to different shareholders, often used in family companies to distinguish between branches of a family.
11. Share buy-backs occur when a company buys back its own shares from the market or, in this case, directly from shareholders.
12. A minority discount reduces the assessed value of a shareholding that does not carry control of the company, on the basis that a minority stake is worth less per share than a controlling one. A lower valuation reduces the associated inheritance tax liability.
13. Firms described this as double taxation because selling an asset to fund an inheritance tax bill first triggers CGT on any increase in the asset's value, so only the post-CGT proceeds remain available to meet the IHT liability.
14. An excepted asset is an asset held by a business that does not qualify for BPR because it was not used wholly or mainly for the purposes of the business throughout the two years before the transfer. The full HMRC definition of an 'excepted asset' is provided within HM Revenue and Customs (2026b).
15. A 'dry tax' charge is one that falls due without any cash being generated by the underlying event – here, an inheritance tax bill on business assets at succession, where no sale has taken place to provide the funds to pay it. Illiquid assets are those that cannot easily be converted to cash.
16. Non-domiciled ('non-dom') status was a UK tax classification for residents whose permanent home was considered to be outside the UK, historically limiting their UK tax exposure on overseas income and assets. The regime was abolished and replaced from April 2025 (HM Treasury, 2024).

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Published by the Family Business Research Foundation 2026

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ISBN 978-1-7392001-7-6

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