



# The Economic and Fiscal Impacts of Changes to BPR and APR

March 2025



# Introduction

- At the Autumn Budget, the Chancellor of the Exchequer announced changes to Business Property Relief (BPR) and Agricultural Property Relief (APR) on Inheritance Tax (IHT).
- At present, relief of up to 100% is currently available on qualifying business and agricultural land and assets. From April 2026, a £1 million limit will apply jointly to the value of assets claimed under APR and BPR. Above this threshold, a reduced 50% relief will apply.
- The Office for Budget Responsibility (OBR)'s static costing estimates that the changes to BPR and APR will raise £1,765 million over a four-year period but noted the policy was assigned a 'high' uncertainty rating, stating:

*'The main driver of uncertainty is the behavioural response to the measure, given the range of options potentially available. This in turn adds uncertainty to the modelling of the behavioural responses.'*

# Study Objectives

- CBI Economics were commissioned by Family Business UK (FBUK) to estimate the economic and fiscal impacts of the October 2024 Budget changes to Business Property Relief (BPR) and Agricultural Property Relief (APR) for family businesses and farms.
- To build a robust evidence base that sheds light on the behavioural changes expected amongst family businesses and farms, CBI Economics firstly surveyed family-owned businesses and farms to update previous CBI Economics analysis through a larger-scale, comprehensive survey.
- This survey achieved 4,147 qualifying responses of family businesses and farms with 25%+ of the estate owned by members of the same family.
- A number of UK trade and industry bodies supported FBUK and participated in the research. Names of those organisations are listed in the Appendix.
- These findings provide compelling and robust new evidence which clearly demonstrates the costs of these changes to family businesses and farms, the economy as a whole and the UK's public finances.

# Methodology

- CBI Economics conducted a survey following the changes to Business Property Relief (BPR) and Agricultural Property Relief (APR) announced at the October 2024 Budget. This survey attracted over 4,200 responses from family businesses.
- The survey first determined the businesses that would be affected by the changes to BPR and APR between October 2024, when the changes were announced, and April 2030, expected to be the end of this current parliament.
- Primary survey data was integrated with additional secondary data collected from official and third-party sources. These informed the inputs to CBI Economics' in-house economic and fiscal models, which were used to estimate the total economic impacts in Gross Value Added and Full Time Equivalent (FTE) jobs, along with net fiscal impacts to the Exchequer.
- Total economic impact was derived primarily using the anticipated reductions in turnover, with CBIE's dynamic economic model capturing the further implications this would have for supply chains and employee spending.

# Methodology

## Note:

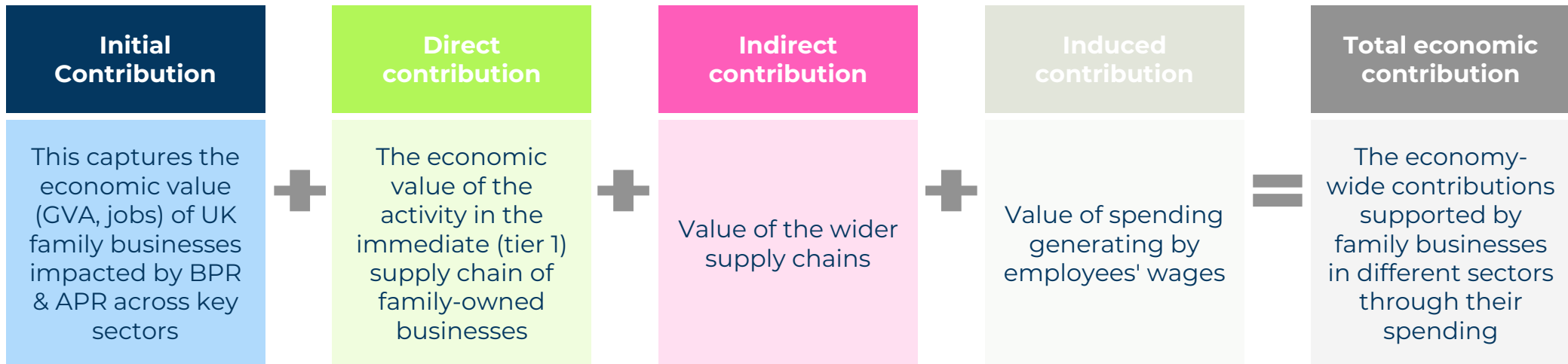
- The methodology utilised in this study differs from previous CBI Economics estimates commissioned by FBUK, which did not consider impacts between October 2024 and April 2026.
- Due to anti-forestalling measures, CBI Economics considered it appropriate these are included.
- Affected businesses are those over £1 million in value and who are anticipating a share transfer or change of ownership in the period specified. Businesses were asked how they expected the changes to affect their investment plans, turnover and headcount.

# The CBI Economics model

- Once CBI Economics determined how output will change in the different scenarios, it used its in-house IO model, which generates extensive information, such as regional breakdowns, around the economic contribution of each sector. CBI Economics suite of UK and regional models, developed by expert economists and aligned with Green Book guidance, use the Input-Output (IO) framework to map sectoral inter-dependencies within the economy.
- The IO Analytical Tables from the ONS form the core basis of this modelling and trace relationships between industries, outline the inputs required to produce one unit of output, and quantify sector interactions with supply chains and households.
- The framework allows the calculation of Type I and Type II output multipliers, capturing direct, indirect, and induced effects, thus reflecting the wider economic contribution. Economic activities of sectors are based on the 2023 SIC-level official employment and GVA estimates from the latest UK National Accounts and projected forward to 2024.

# The CBI Economics model

- The model produces GVA and full-time equivalent (FTE) employment contributions at the UK level, considering the initial, direct, indirect, and induced contributions. Additional analysis (to be produced subsequently) will provide a regional and local perspective of these estimates.



# Important updates to the approach

In line with the revisions to BPR and APR, steps have been taken to deter individuals from evading the newly established relief limits by executing lifetime transfers prior to the implementation of the new regulations. To account for the effects of these anti-forestalling measures, the study included businesses undergoing ownership changes before April 2026 in the economic modelling. The noticeable trend towards proactive measures is significant, as it accelerates the occurrence of economic and fiscal effects within the designated timeframe.

BUSINESS CHARACTERISTIC	Previous Survey		March 2025 Survey	
	IN/OUT SCOPE	% of survey respondents	IN/OUT SCOPE	% of survey respondents
Valuation <£1m	OUT	6.5%	OUT	5.8%
Pre-April 2026 Ownership Transfer	OUT	11.7%	IN	21.9%
Between April 2026-2028 Ownership Transfer	IN	16.5%	IN	10.1%
Between April 2028-2030 Ownership Transfer	IN	8.3%	IN	5.6%
Beyond April 2030	OUT	19.6%	OUT	12.8%
Not IHT Liable	OUT	2.6%	OUT	3.6%
No ownership transfer	OUT	13.5%	OUT	17.4%
Not sure/Don't know	OUT	21.3%	OUT	22.6%
TOTAL	<b>N=211</b>	100.0%	<b>N=4,112*</b>	100.0%
<b>% in scope</b>		<b>24.8%</b>		<b>37.7%</b>

\*This is number of respondents who answered question relating to changes in ownership structure. It will differ from population reporting elsewhere due to respondents who skipped the question. This question was skipped by 138 respondents.



# Overview of Results

<b>Business/ farm impacts</b>	<b>BPR</b>	<b>APR</b>	<b>BPR &amp; APR</b>
Average turnover change per firm	-7.7%	-10.6%	-9.2%
Average investment change per firm	-15.8%	-15.5%	-15.7%
Average headcount change per firm	-10.1%	-7.5%	-8.8%
<b>Economic &amp; fiscal impacts*</b>	<b>BPR</b>	<b>APR</b>	<b>BPR &amp; APR</b>
GVA**	-£13,440m	-£1,425m	-£14,865m
FTE*** jobs	-180,117	-28,383	-208,500
Tax receipts	-£1,863m	-£13m	-£1,876m

\* This accounts for behavioural changes and includes wider economy impacts through supply chains and employee spending. CBI Economics estimate these impacts to occur over the course of parliament.

\*\*Gross Value Added, a measure of economic value created through gross profits, wages and salaries, and taxes on production (less subsidies)

\*\*\* Full Time Equivalent (FTE) jobs are a measure of employment which accounts for working hours. 1 FTE is assumed to work an average of 37 hours per week; a part time job is typically around 0.5 FTE.

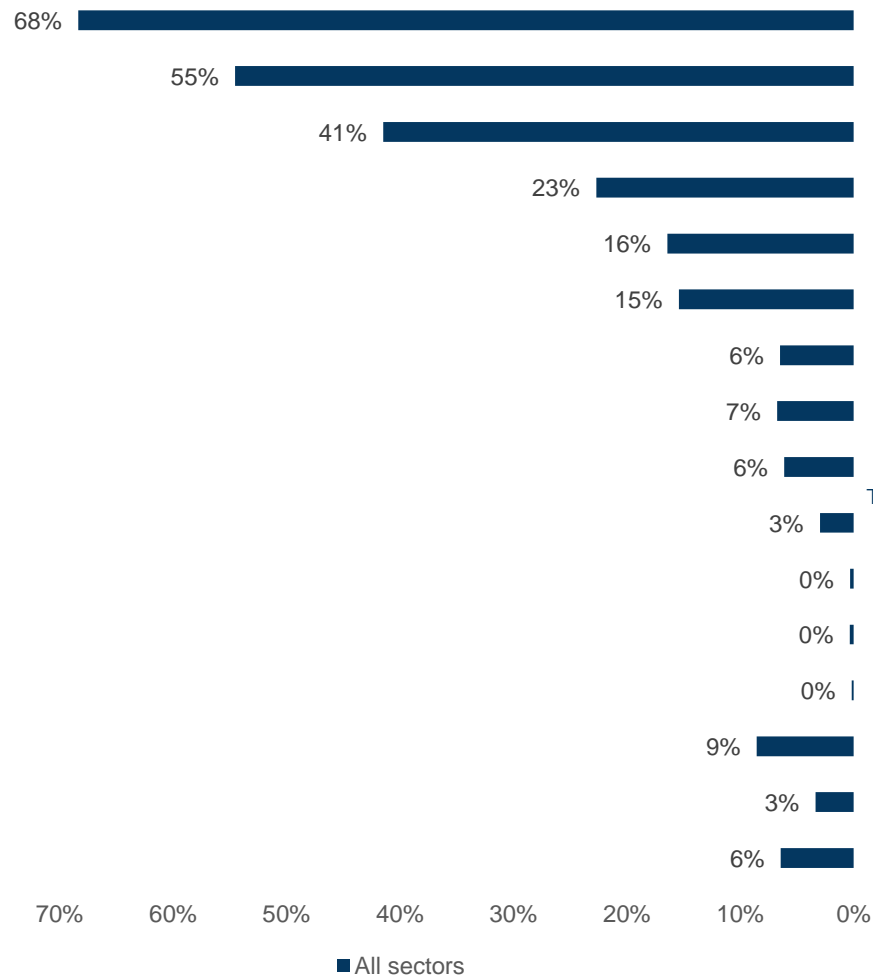


# The Economic & Fiscal Impacts of Changes to Business Property Relief (BPR)

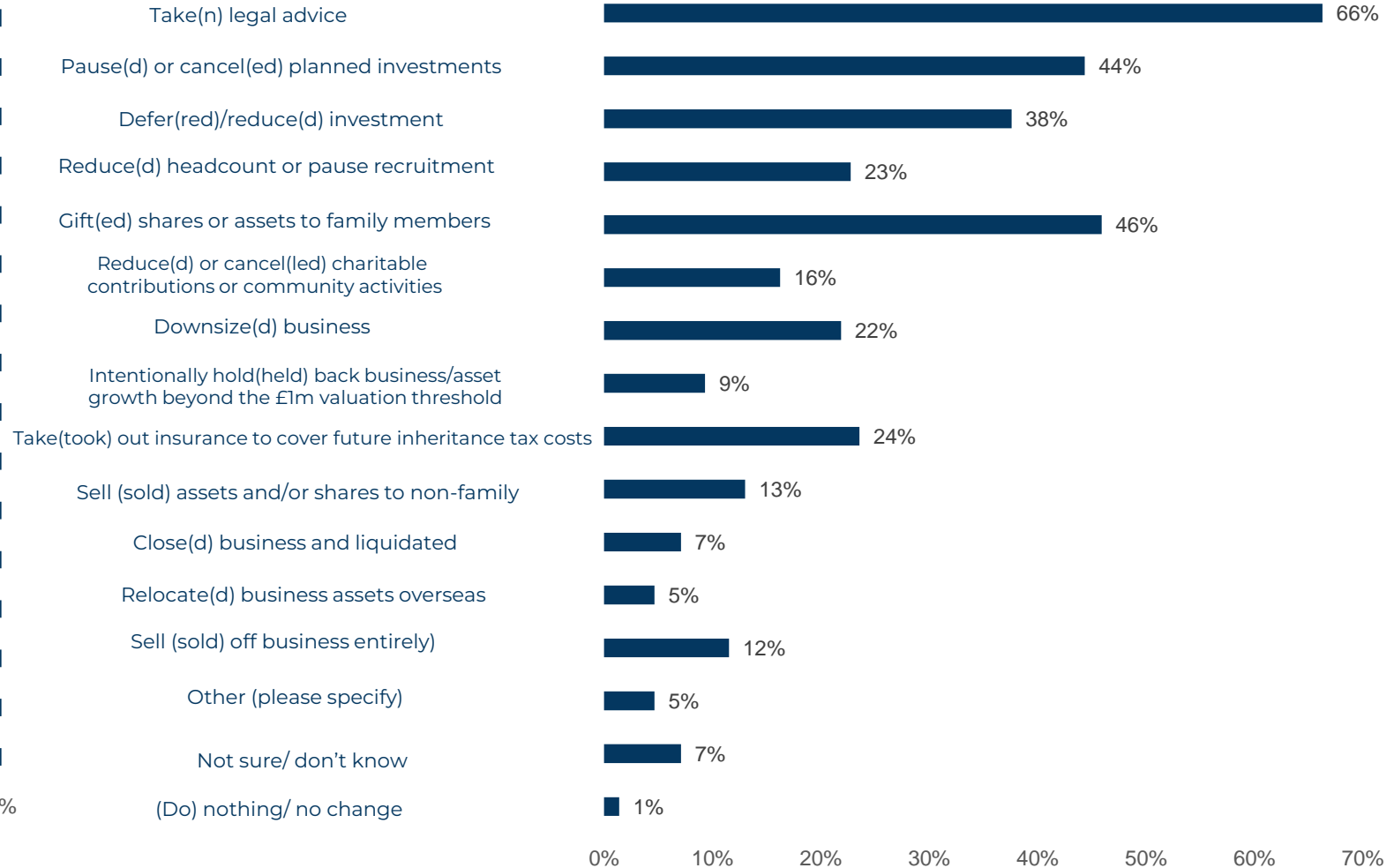


# A large proportion of impacted family businesses have taken measures in reaction to BPR

What measures **have you already taken** to mitigate any potential impacts of changes to BPR, if any? (% of respondents, N=3,357)

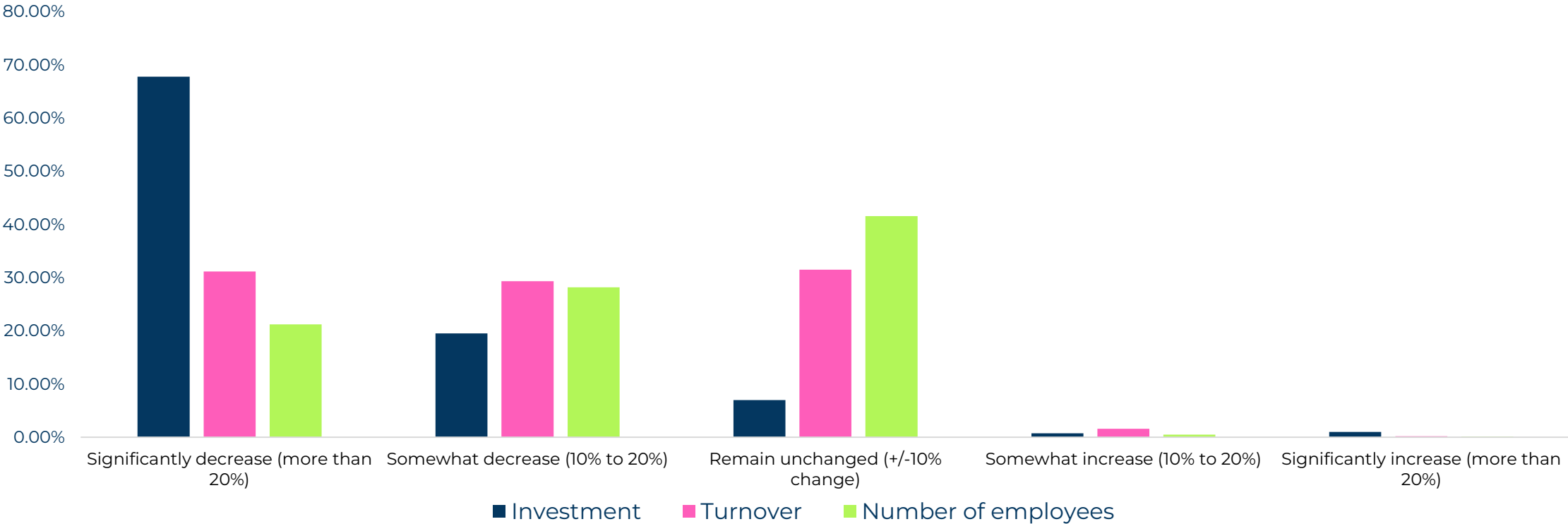


What additional steps, if any, **might you take** to mitigate any potential impacts of changes to BPR in the future (before April 2026) (% of respondents, N=3,357)



# Family businesses are experiencing notable impacts on investment, turnover and number of employees

**The expected impact of the changes to BPR on family businesses\*  
(% of respondents in scope, main business indicators, N=1,476)**



\*Note: responses include a large number of agriculture & horticulture businesses (approx. two-thirds of responses), with most (76%) affected by both BPR and APR.

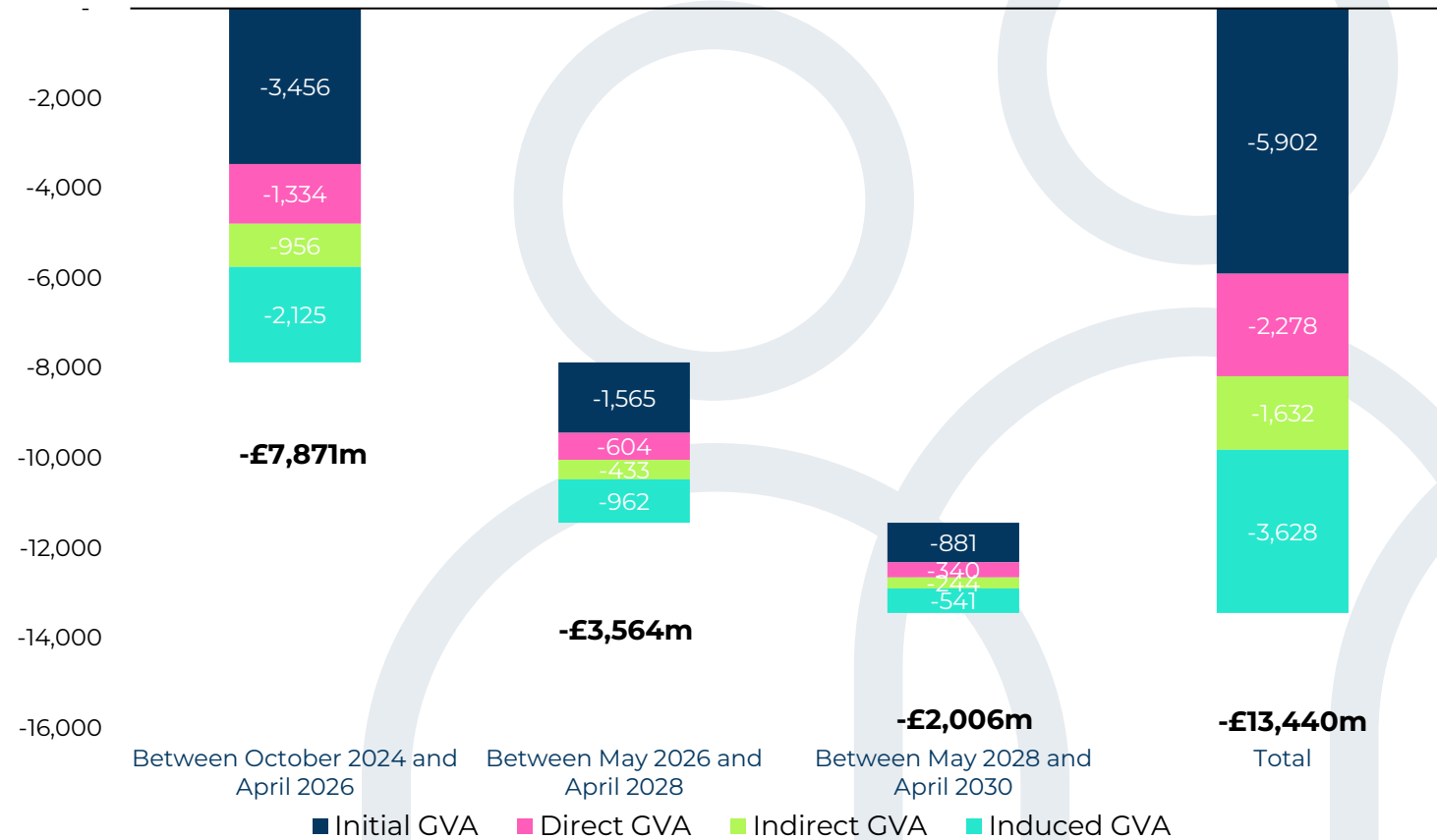
# Capping BPR at £1m will bring £13.4bn<sup>1</sup> loss in GVA

## Business Property Relief

- Anticipated **15.8% reduction in investment**
- **Reduction in turnover of 7.7%**
- **Decline in the number of employees by 10.1%**

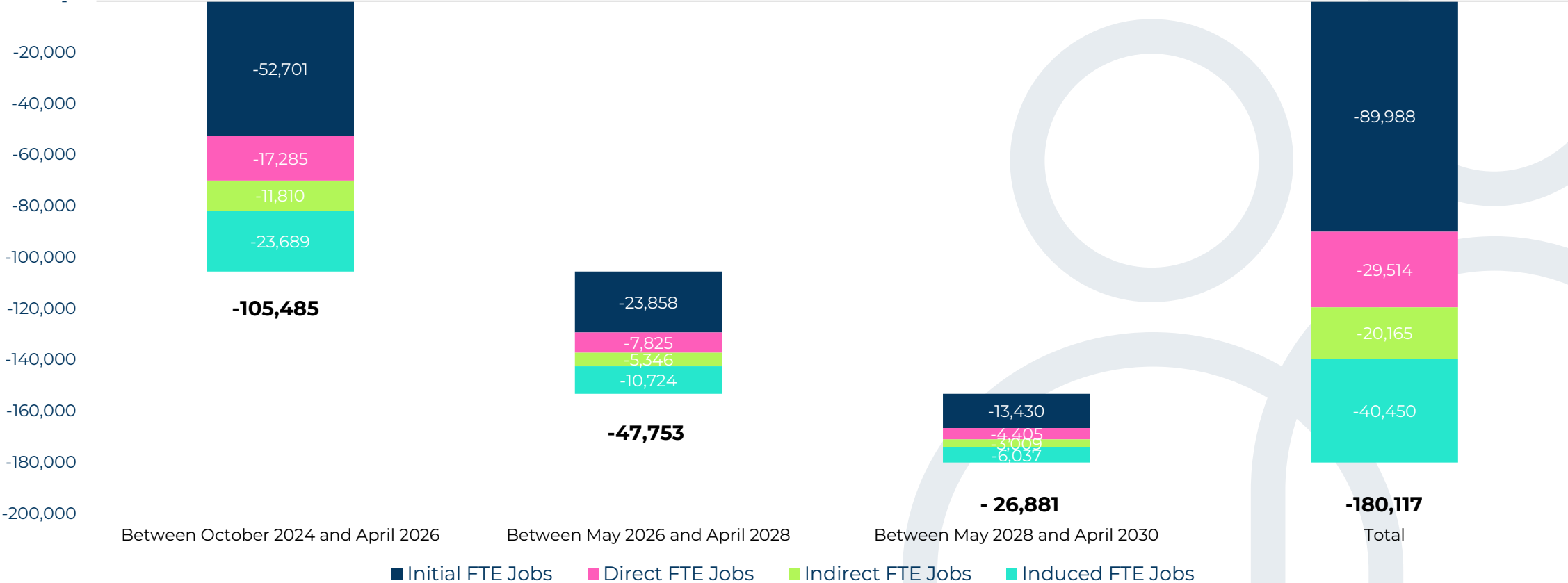
**NB: These figures have been weighted to account for large proportion of Agriculture & Horticulture respondents**

**GVA losses associated with reduced family business/ farm activity resulting from changes to BPR (£m, 2024 prices)**



# Capping BPR will see a loss of 180,000 jobs

**Job losses associated with reduced family business activity resulting from changes to BPR**

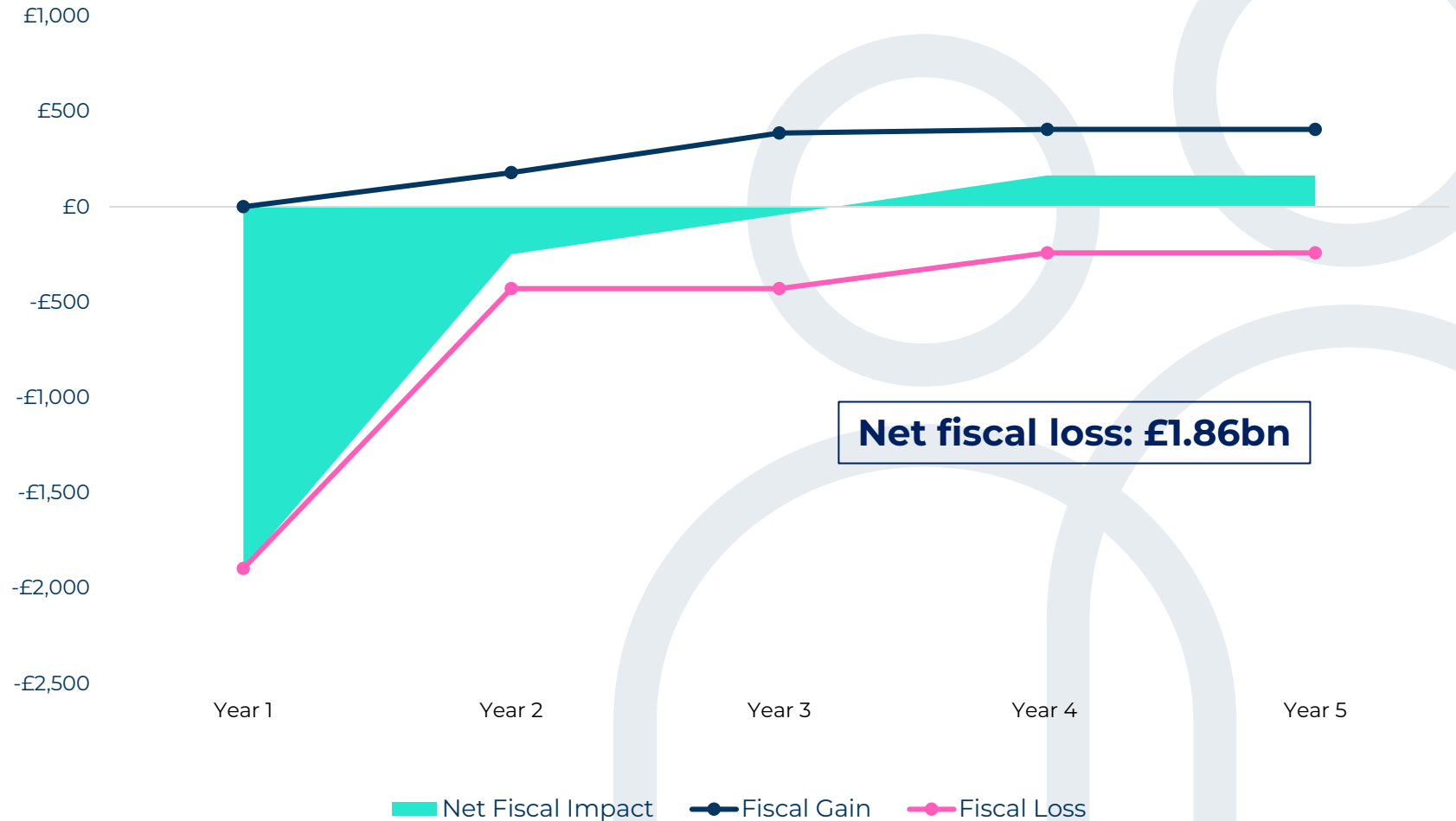


# Capping BPR at £1m will see fiscal loss of £1.9bn

Total fiscal contributions foregone from reduced economic activity will amount to **£3,241m**, while the fiscal gain from the policy is estimated at **£1,378m**.

This gives a net fiscal impact of **£1,863m**.

Fiscal impact of removing BPR (2024/25 – 2029/30, £m)





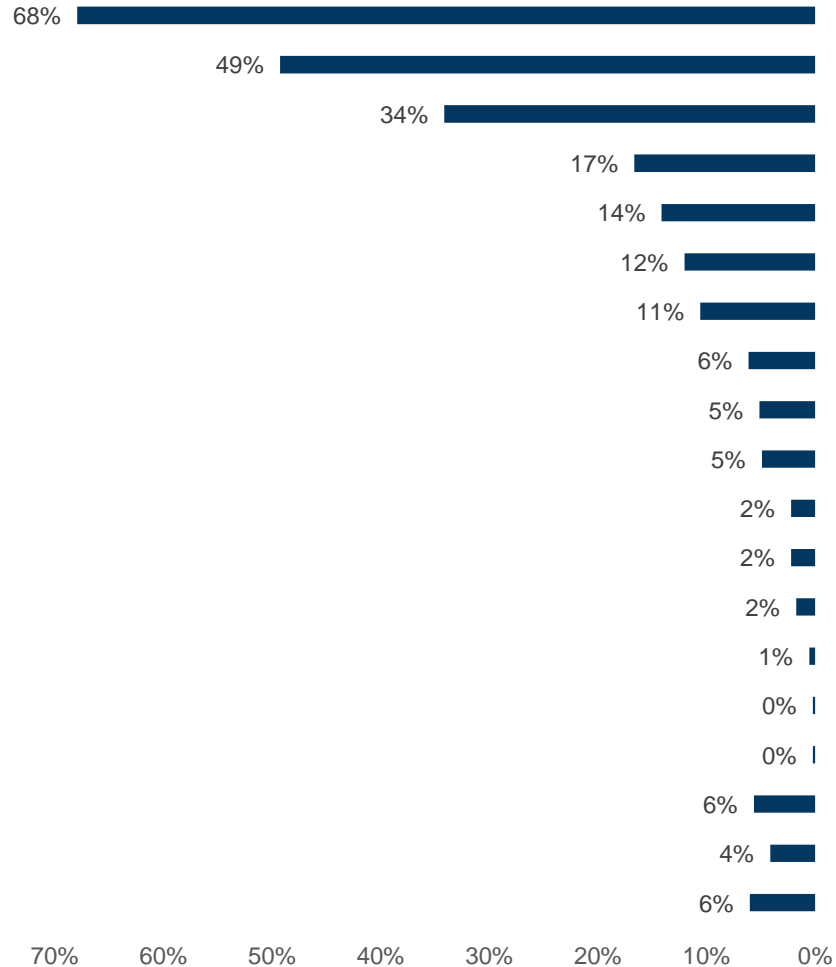
# The Economic & Fiscal Impacts of Changes to Agricultural Property Relief (APR)



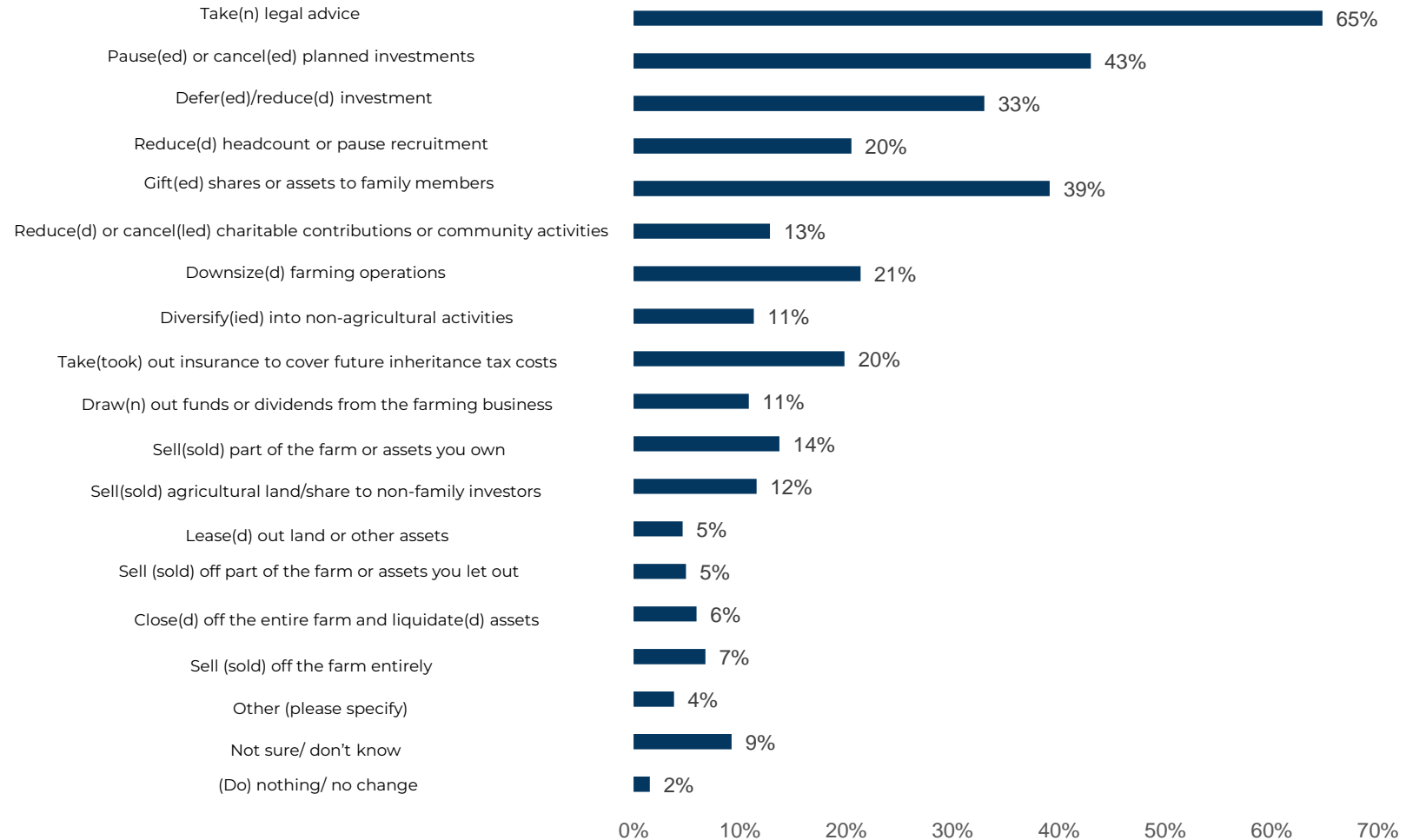


# Capping APR at £1m is affecting investment plans

What measures **have you already taken** to mitigate any potential impacts of changes to APR, if any? (% of respondents, N=3,140)

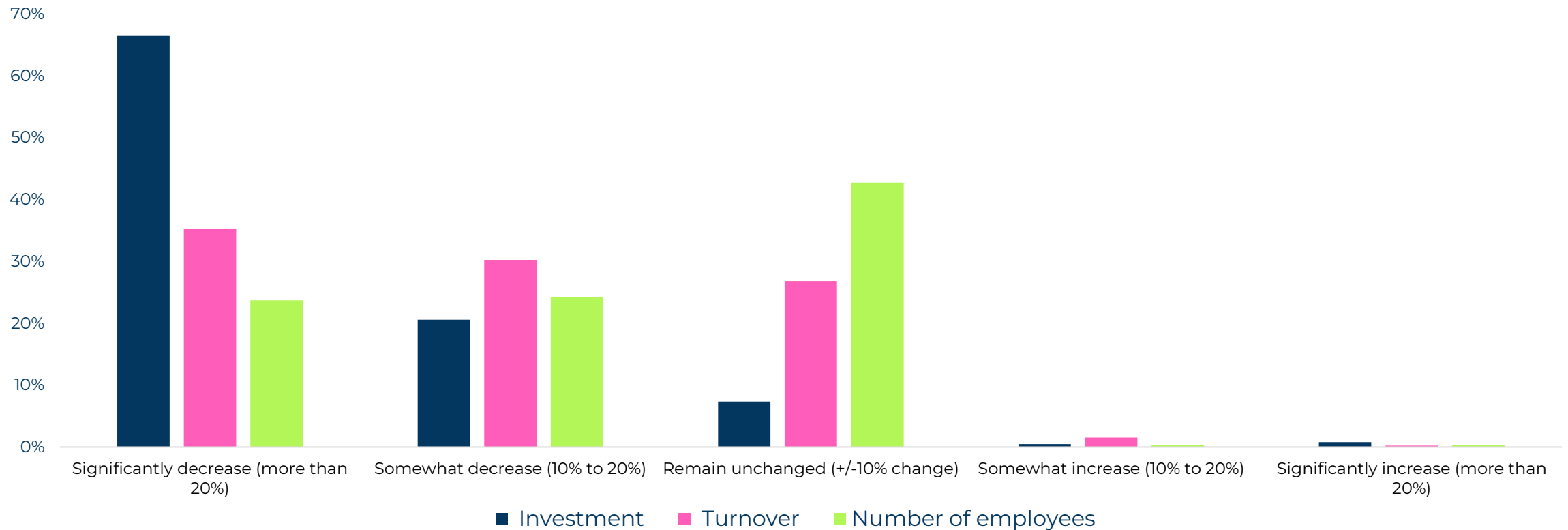


What additional steps, if any, **might you take** to mitigate any potential impacts of changes to APR in the future (before April 2026) (% of respondents, N=3140)



# Family farms are experiencing notable impacts on investment, turnover and number of employees

**The perceived impact of the changes to APR on family farms\*  
(% of respondents in scope, main business indicators, N=1,278)**



\*While these responses are predominantly from the agriculture & horticulture sector, there are also some respondents from sectors such as accommodation & food services and real estate activities, making up approximately 5% of responses, who reported being impacted by APR

# APR changes will bring a £1.4bn GVA loss in the farming sector and its supply chains, equivalent to a 12.3% reduction in agriculture sector GVA

CBI Economics obtained a significant number of responses (1,702 businesses in scope) from both the Agriculture & Horticulture sector and the Accommodation & Food sector, allowing us to assess their distinct impacts in the economic modelling.

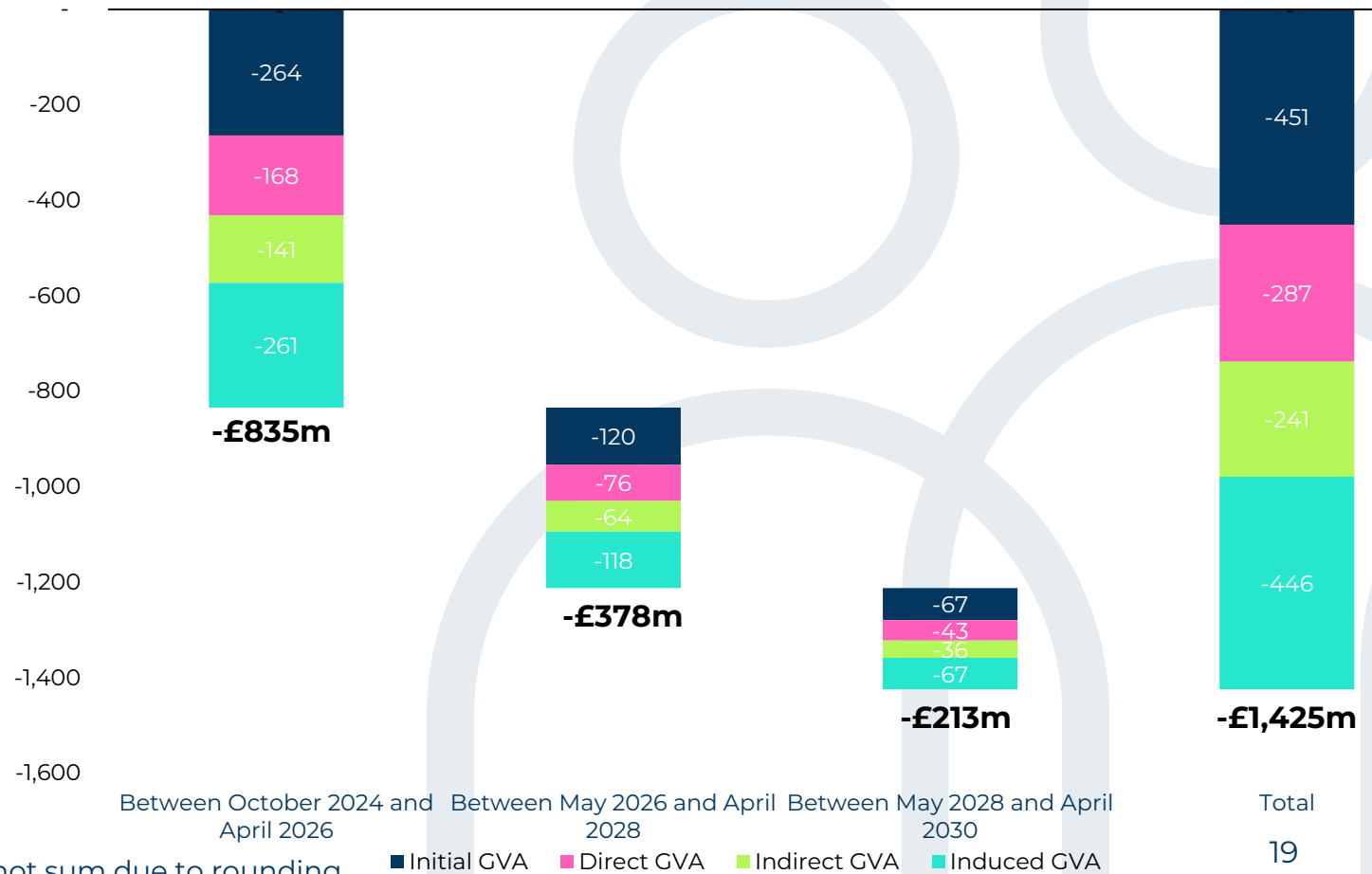
The results from the survey suggest that the expected impacts will be:

	Average impact
Turnover	-10.6%
Employment	-7.5%
Investment	-15.5%

Family Business UK

Note: Some figures may not sum due to rounding

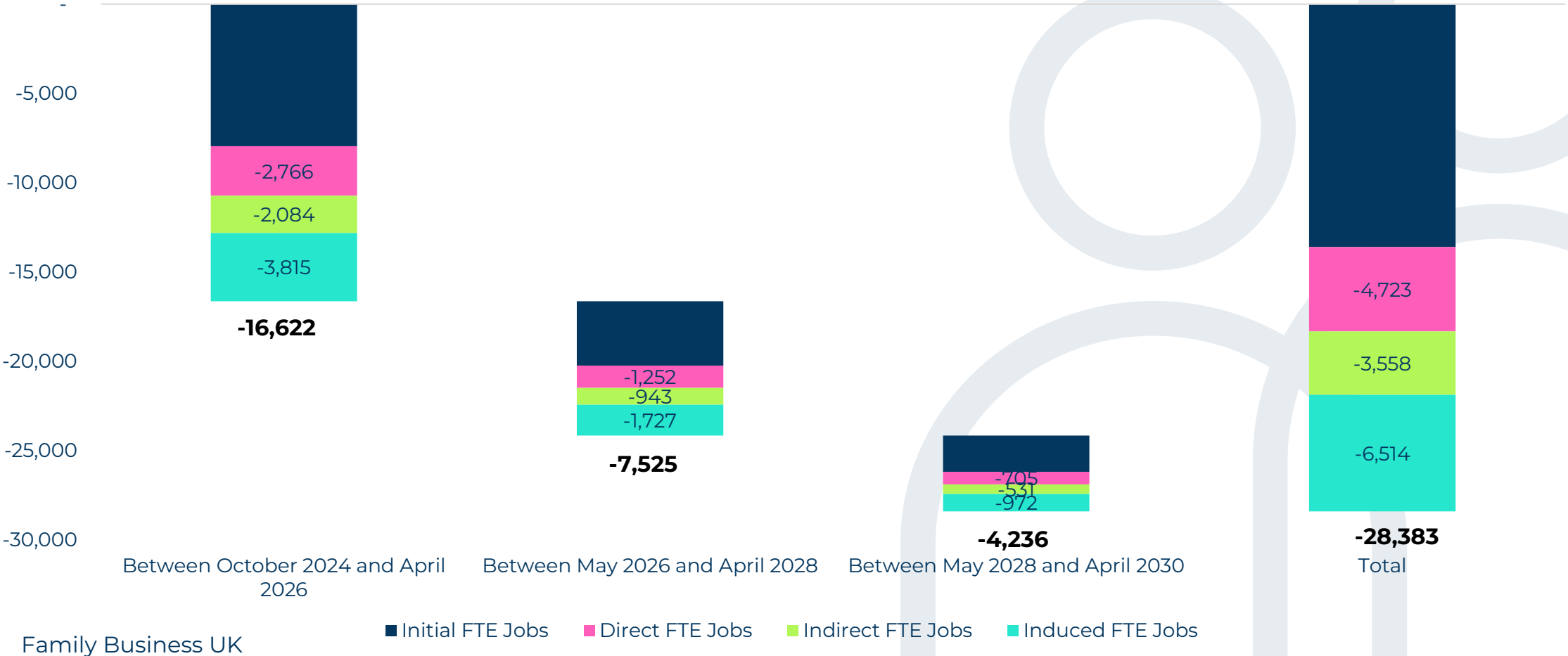
**GVA losses associated with reduced family business activity resulting from changes to APR (£m, 2024 prices, year-by-year)**



Total  
19

# Capping APR at £1m will result in over 28,300 job losses in the farming sector and its supply chains, equivalent to an 8.4% decrease in agriculture sector employment

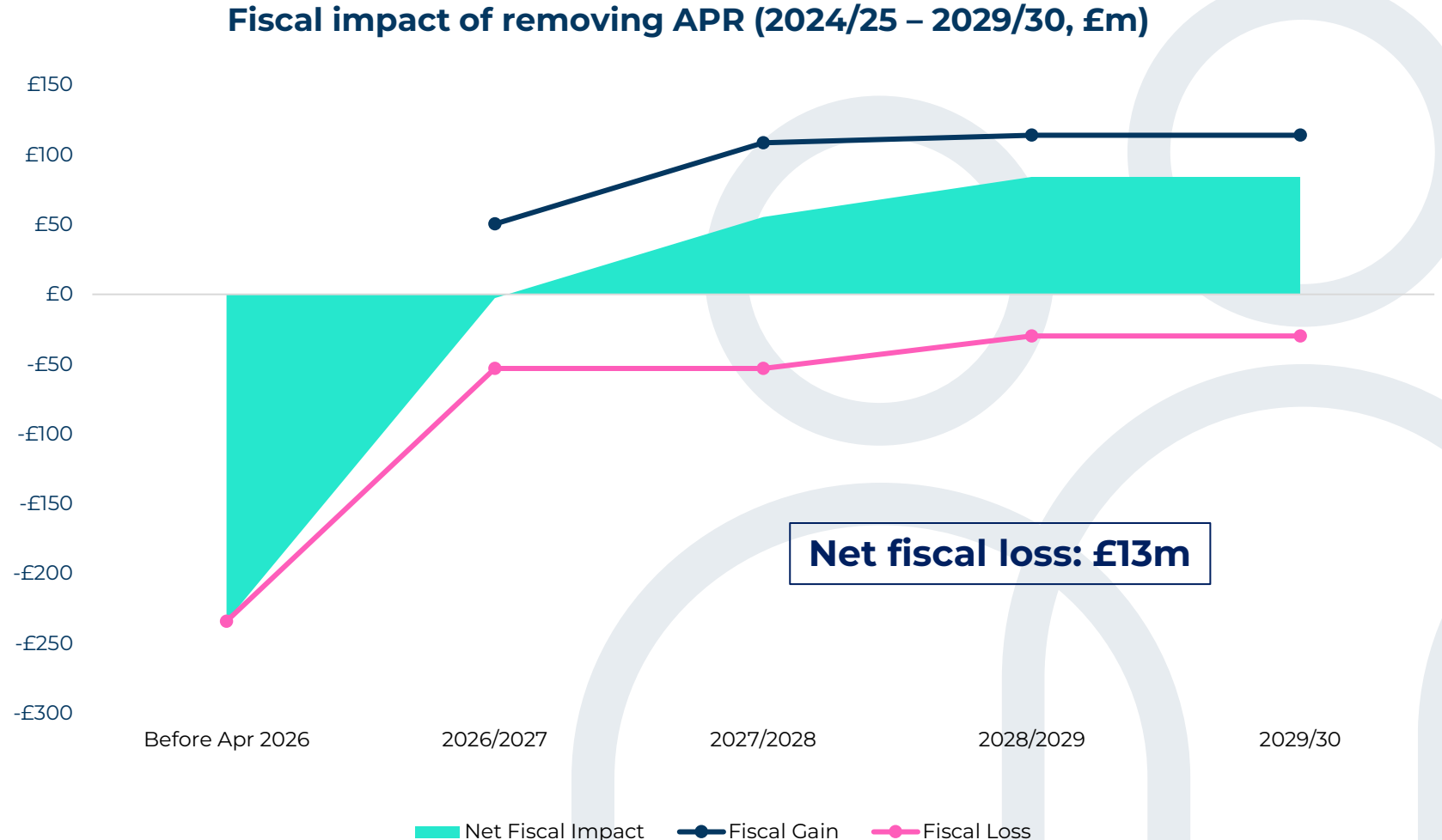
Job losses associated with reduced family business activity resulting from changes to APR



# Capping APR at £1m will lead to a fiscal loss, rather than a £387m uplift as predicted by the OBR

Reduced economic activity arising from APR changes will lead to a **net fiscal loss of -£13m**.

We estimate that the Government expects a £387m uplift in tax receipts, this will be nullified by **£400m less receipts as activity declines elsewhere in the economy**.





# Appendix



## Trade Associations Contributing to the Research

Agricultural Industries Confederation

Associated Independent Stores

British Allied Trades Federation

British Beer & Pub Association

British Chemicals Association

British Coatings Federation

British Holiday & Home Parks Association

British Marine

Build UK

Builders Merchants Federation

Car Wash Association

Commercial Interiors UK

Construction Plant Hire Association

Country Land & Business Association

Electrical Contractors Association

Farm Retail Association

Federation of Master Builders

Guild of Fine Foods

Historic Houses

Home Builders Federation

Horticultural Trades Association

Independent Family Brewers of Britain

National Association of Cider Makers

National Association of Funeral Directors

National Body Repair Association

National Farmers Union

National Franchised Dealers Association

Petrol Retailers Association

Recruitment and Employment Confederation

UK Flour Millers

UK Hospitality

Wine & Spirits Trade Association



[familybusinessuk.org](http://familybusinessuk.org)