

CHANGES TO TAXATION - IMPACTS ON FORESTRY

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COMMERCIAL FORESTRY THE TAX CONTEXT

Generally a very tax-efficient asset to hold

Business Property Relief (BPR) – a valuable relief from inheritance tax (IHT)

Currently, as much as 100% of BPR assets can be passed on or into trust free of IHT

Some of the benefits:

- No threat of IHT for business owners
- Greater confidence, more investment, and faster economic growth
- No penalty for expansion or increase in value of business assets
- Encourages investment in qualifying industries, such as forestry

BUDGET CHANGES FROM 6 APRIL 2026

What will change?

- First £1m of assets will be IHT free – the balance will only benefit from 50% relief
- Effective rate of 20% on death
- Different treatment for trusts and individuals
- New lifetime gifts (including gifts into trust) will be caught by the new rules
- The £1m allowance will “refresh” every 7 years but **will not be transferrable between spouses**

An example:

- Forestry business worth £6m
- Deduct the £1m allowance
- Remaining £5m taxed at 20% = £1m of tax
- If paid over 10 years, this requires business to find £100k cash per annum

- Impetus to move the asset down a generation
- If donor survives 7 year period, IHT can be avoided
- Forestry land assets fairly flexible cf. farming/ other businesses

HOW COULD TAX CHANGES IMPACT THE FORESTRY INDUSTRY?

- Potential downsides:
 - Reduction in confidence
 - Slowdown in landowners deciding to dedicate land to forestry due to the tax risk and even longer time horizons
- Potential opportunities:
 - Continuing the shift from individual landowner-investors to institutional / fund investors
 - Could encourage landowners to sell / pass on / manage land more actively
 - Forestry could appeal to the 'million-pound investor' as an alternative to AIM

Budget Day: 26 November 2025 – may change everything again

CONTACT DETAILS



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