

AIM IHT Autumn Budget 30th October 2024



Worst case scenario avoided and recent budget related uncertainty removed

As widely speculated the Chancellor has made changes to the tax treatment of AIM shares. Fortunately, the changes made have not been as bad as had been feared. With effect from 6th April 2026 Business Property Relief on qualifying AIM shares will be reduced to 50%. This makes the effective rate of IHT, now 20% on AIM investments, rather than a nil rate after 2 years. In addition, the speculation that the holding period may be increased, has also not materialised.

Whilst we would clearly have preferred for the status quo to be retained, we are pleased that the worst-case scenario has been avoided. This is a huge relief for the AIM market having faced months of uncertainty and media speculation. The initial reaction was a sense of relief and prices have reacted positively.

This has been a very unwelcome period for the AIM index, home to some 700 UK smaller companies, and we are pleased that the Government has approached this in a relatively considered manner.

We continue to focus on a diversified portfolio between businesses with global operations and those focused purely on the UK economy. We also continue to seek positive thematic trends such as regulation or renewable energy. Over-riding these however is experienced, proven management teams and businesses with strong free cash flow that can fund their growth and pursue progressive dividend policies.

We would also expect attractive UK valuations to continue to drive takeover activity – a trend we would hopefully continue to benefit from given our focus upon free cash flow.

Please note: Following the Autumn Budget, Business Property Relief legislation and the associated tax treatment on AIM shares, has been amended.

We are considering the implications of the Budget on Alpha's AIM IHT Service and we will need to review our existing literature as a result. Please contact us for more information.

If you would like to discuss any aspect of Alpha's AIM IHT service, or our other services, please do not hesitate to get in touch.

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