

## The impacts of Inheritance Tax reform on family-owned holiday & residential parks

CBI economics findings for BH&HPA

May 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.'*

To help fill the gap in evidence around business impacts and behavioural responses, in February 2025, CBI Economics surveyed family-owned businesses across a range of sectors of the economy. The survey achieved 114 qualifying responses of family businesses in BH&HPA's sector\* with 25%+ of the estate owned by members of the same family.

These findings provide compelling and robust new evidence which clearly demonstrates the costs of these changes to family businesses, the economy as a whole and the UK's public finances.

\*The sector encompasses SIC codes 55.201 (Holiday Centres and Villages) and 55.300 (Camping Grounds, Recreational Vehicle Parks, and Trailer Parks), both of which fall under the broader Accommodation and Food Services Activities sector. It also includes the Residential Park sector, which was mapped to SIC codes using an AI tool developed by The Data City.

# Overview of our approach

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 114 responses from family businesses in the holiday and residential parks sector.

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, onwards.

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.

The methodology includes impacts between October 2024 and April 2026, prior to the IHT policy changes coming into force. 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.

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.

# Overview of results

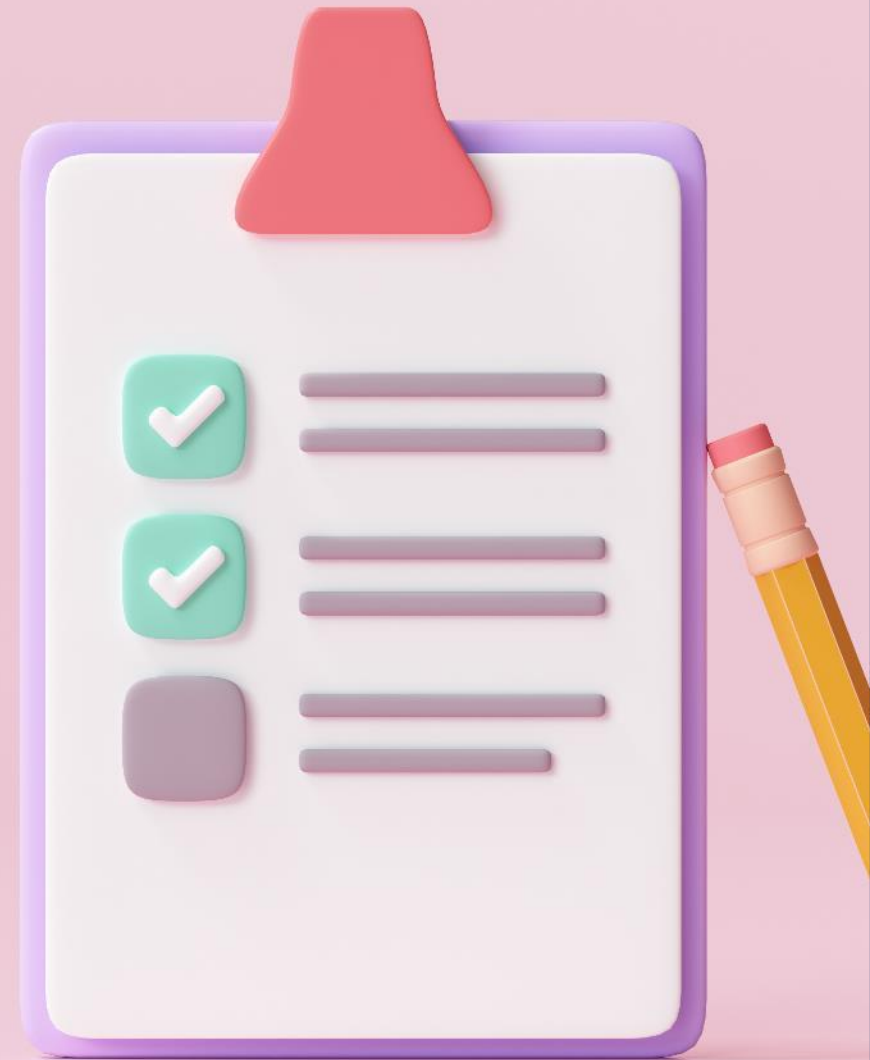
Business/ farm impacts	BPR	APR	BPR & APR
Average turnover change per firm	-11.5%	-10.7%	-11.1%
Average investment change per firm	-16.1%	-15.0%	-15.6%
Average headcount change per firm	-11.6%	-11.2%	-11.4%
Economic & fiscal impacts*	BPR	APR	BPR & APR
GVA**	-£207m	-£87m	-£294m
FTE*** jobs	-3,759	-1,568	-5,327
Net tax contributions	-£70.7m	-£31.1m	-£101.8m

\* This accounts for behavioural changes and includes wider economy impacts through supply chains and employee spending. CBI Economics estimated these impacts to occur over the course of parliament (to April 2030).

\*\*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.

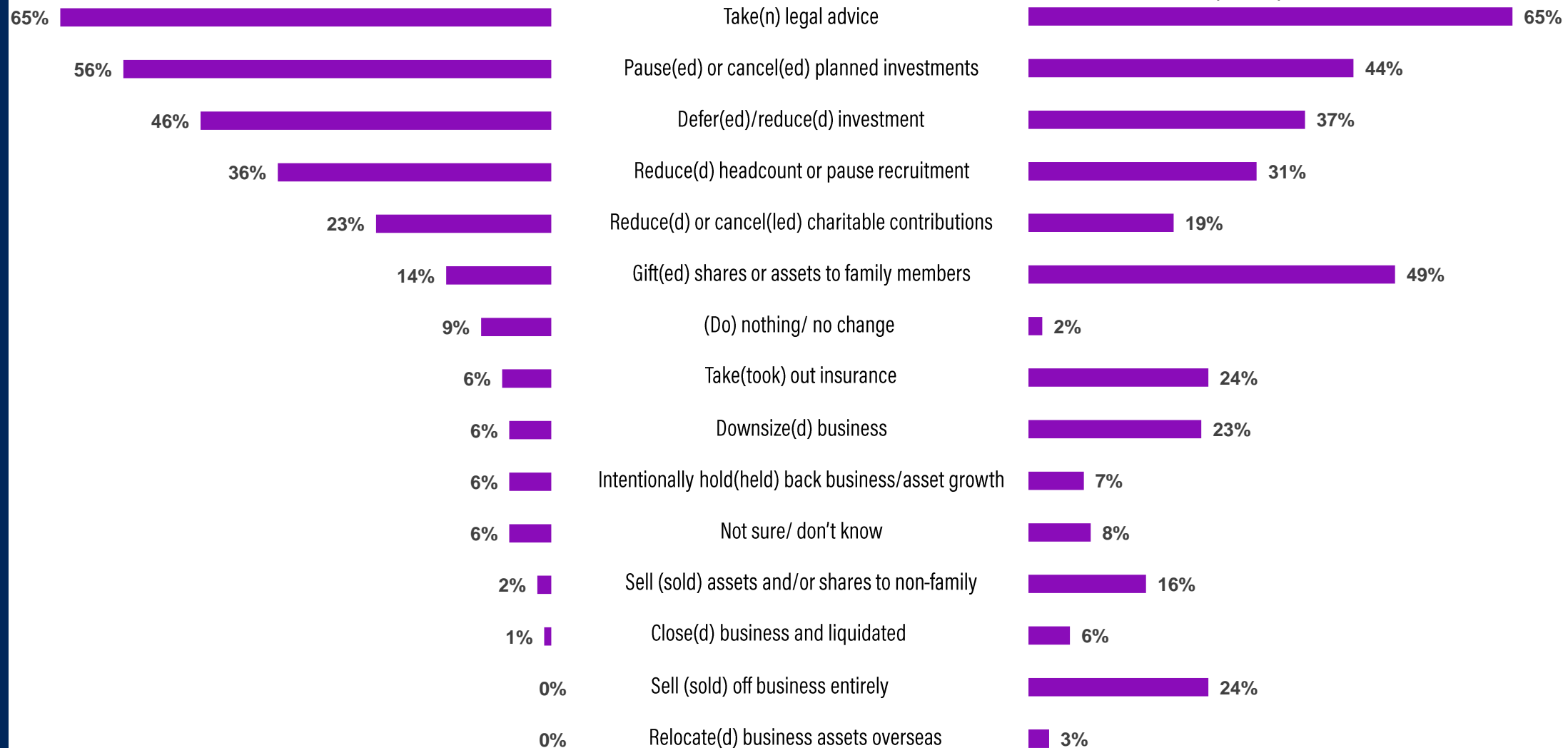
# Business impacts



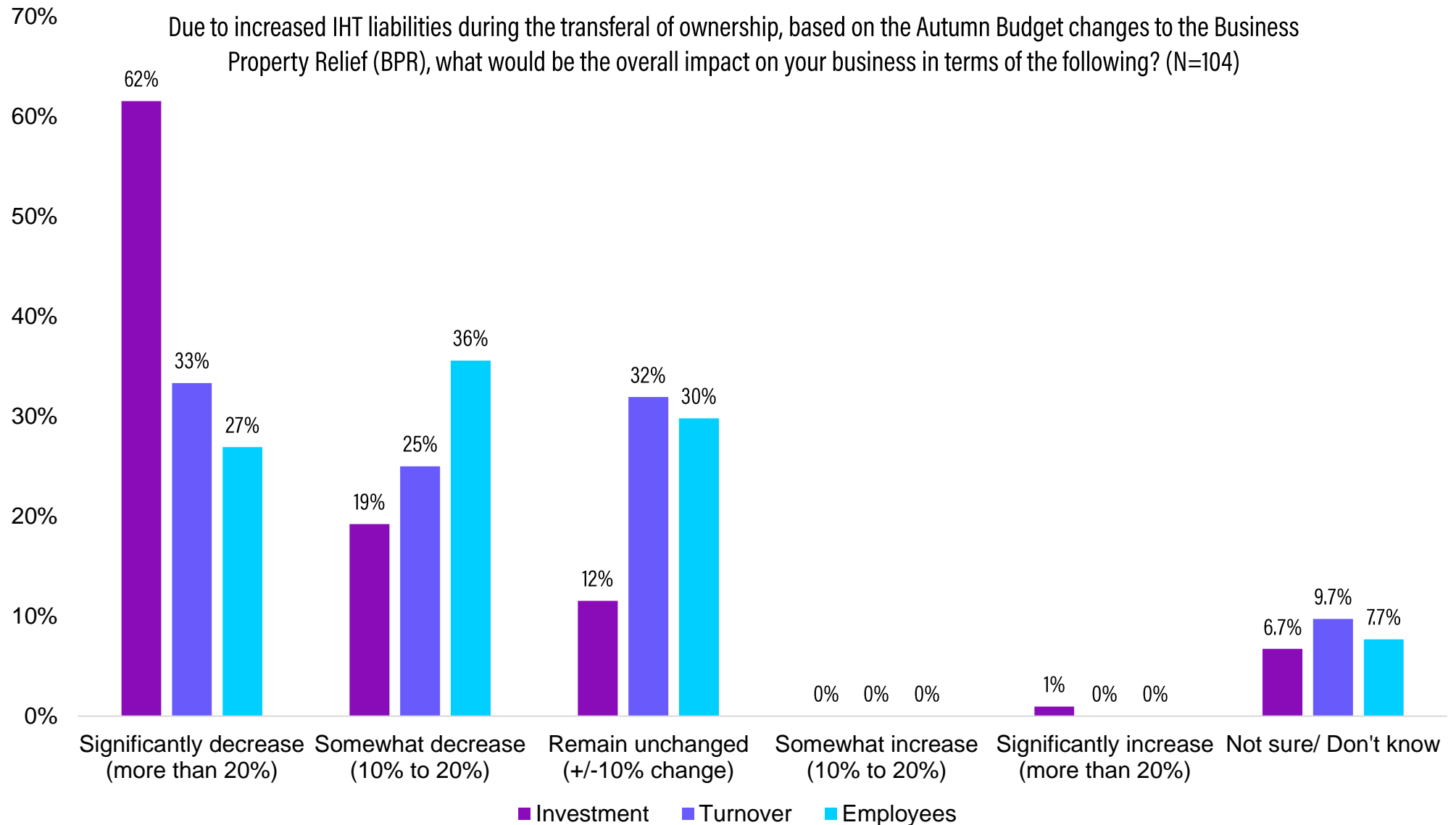
# Holiday & residential park businesses are reducing investment and headcount in reaction to BPR changes

What measures **have you already taken** to mitigate any potential impacts of changes to BPR, if any? (N=109)

What additional steps, if any, **might you take** to mitigate any potential impacts of changes to BPR in the future (before April 2026) (N=109)

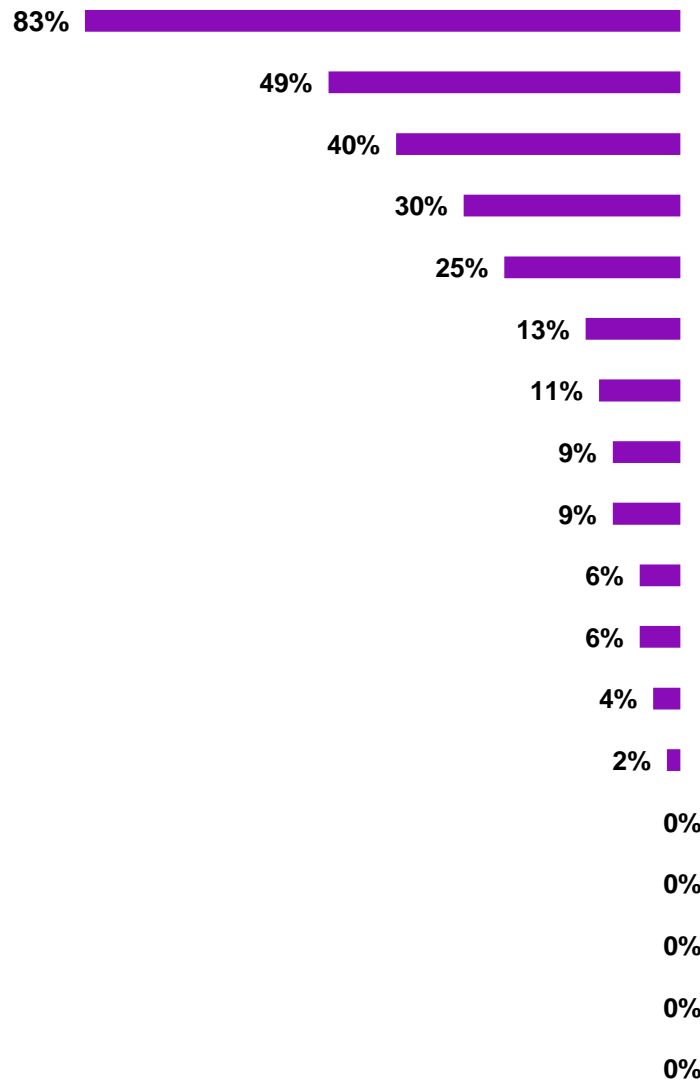


# These reactions are further reflected in businesses' outlook for investment, turnover and headcount

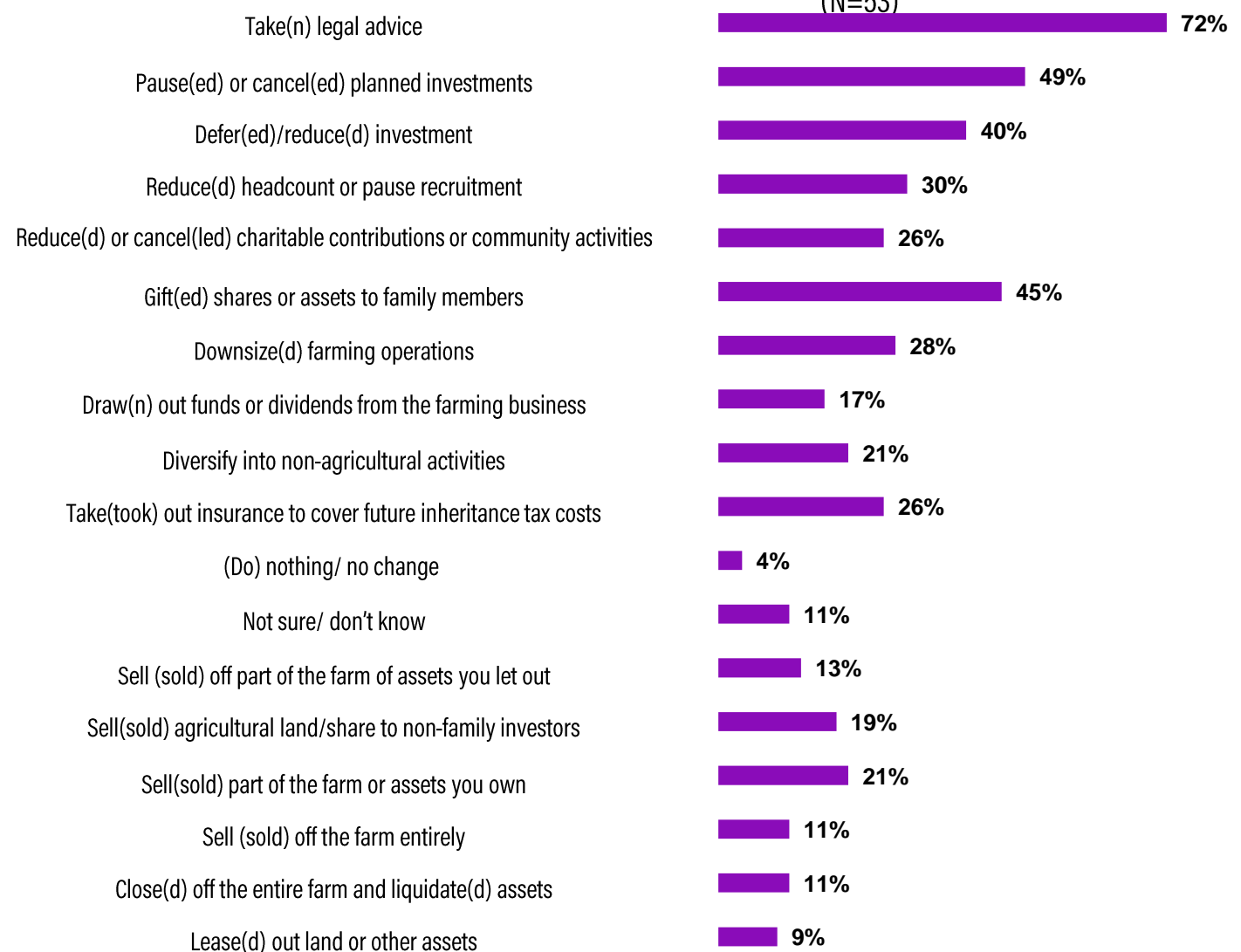


# Many are also concerned about APR and are taking steps to mitigate its impacts ahead of April 2026

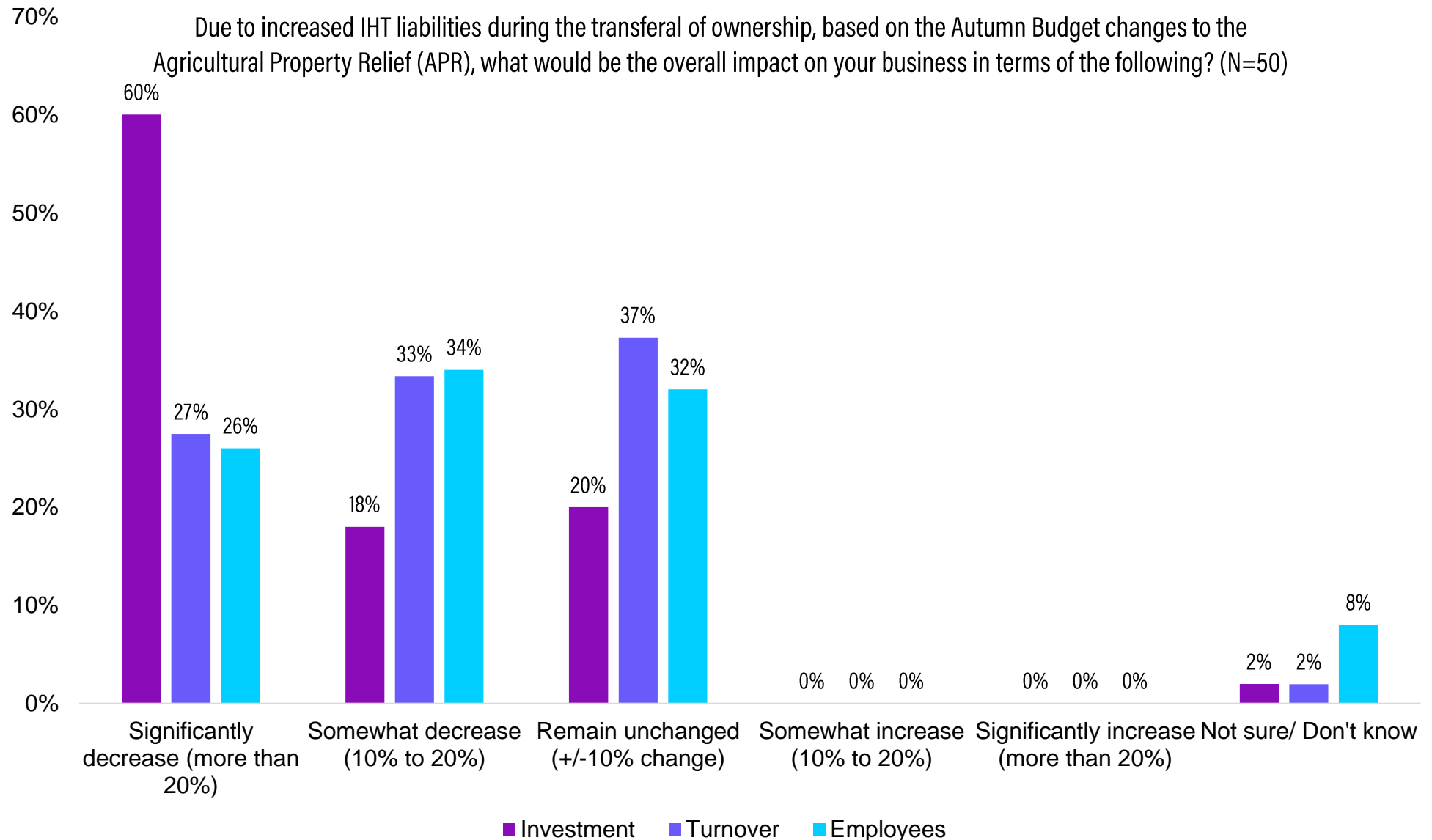
What measures **have you already taken** to mitigate any potential impacts of changes to APR, if any? (N=53)



What additional steps, if any, **might you take** to mitigate any potential impacts of changes to APR in the future (before April 2026) (N=53)



# While fewer businesses in the sector are concerned about APR, its expected impacts are also significant



# Significant economic impacts for the sector, with larger downturns in investment, turnover and employment

*Due to increased IHT liabilities during the transfer of ownership, based on the Autumn Budget changes to BPR / APR, what would be the overall impact on your business in terms of the following?*

## Business Property Relief

- Anticipated **16.1% reduction in investment** (vs. 15.8% UK-wide)
- **Reduction in turnover** of 11.5% (vs. 7.7% UK-wide)
- **Decline** in the number of **employees** by 11.6% (vs. 10.1% UK-wide)

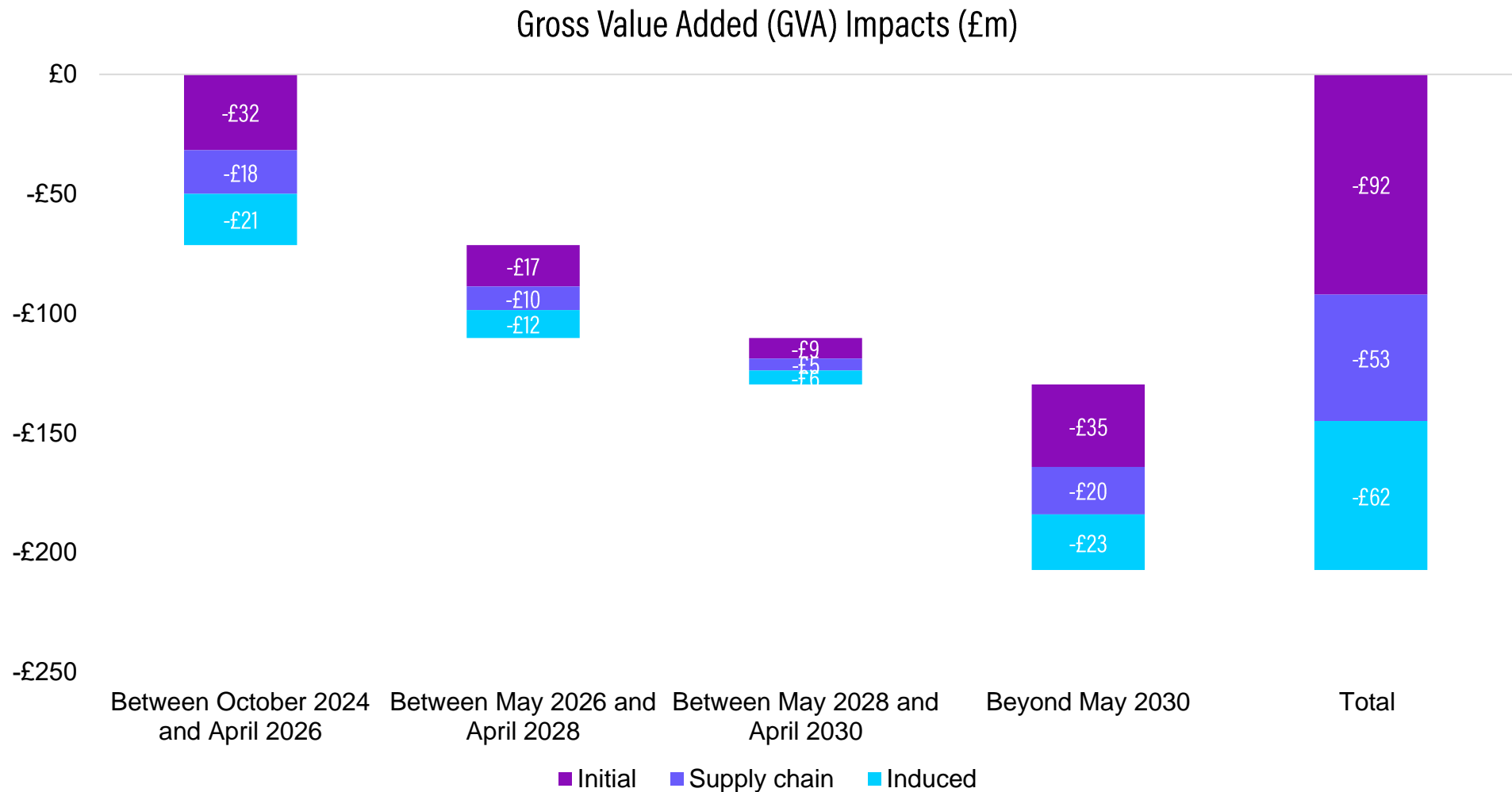
## Agricultural Property Relief

- **Investment reduction** of 15% (vs. 15.5% UK-wide)
- **Turnover down** by 10.7% (vs. 10.6% UK-wide)
- **Number of employees decreasing** by 11.2% (vs. 7.5% UK-wide)

# Economy-wide & fiscal impacts

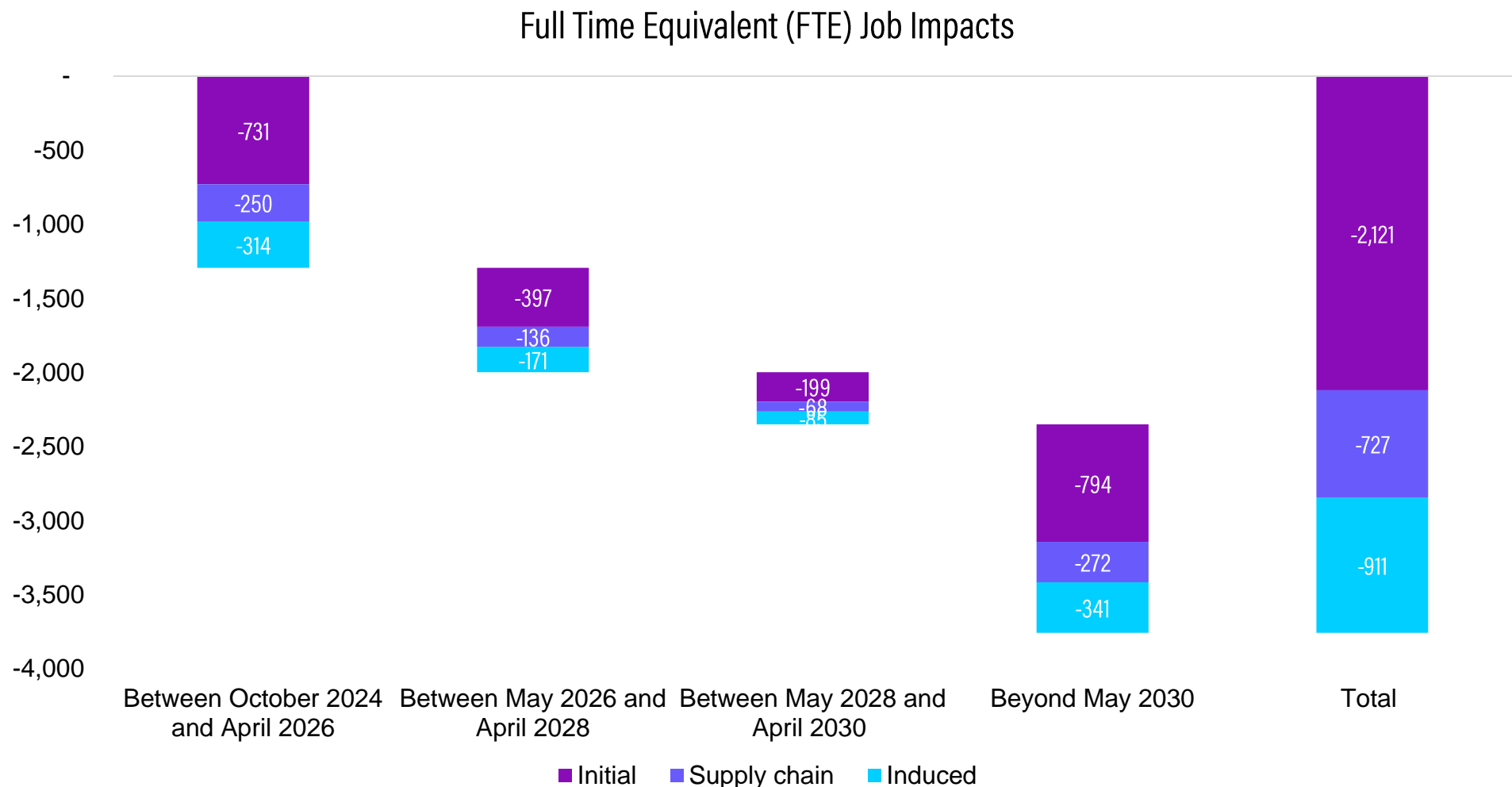


# Capping BPR at £1m will bring a £92 million loss in GVA for the UK's holiday & residential parks sector, rising to £207 million across the wider UK economy\*



\*The total impacts across the UK economy include direct sector impacts, as well as the supply chain and induced impacts associated with reduced activity in the BHHPA sectors

# The change to BPR also puts 2,121 sector jobs at risk (a 3.3% reduction in employment), rising to 3,759 FTE jobs across the UK economy once wider impacts\* are included

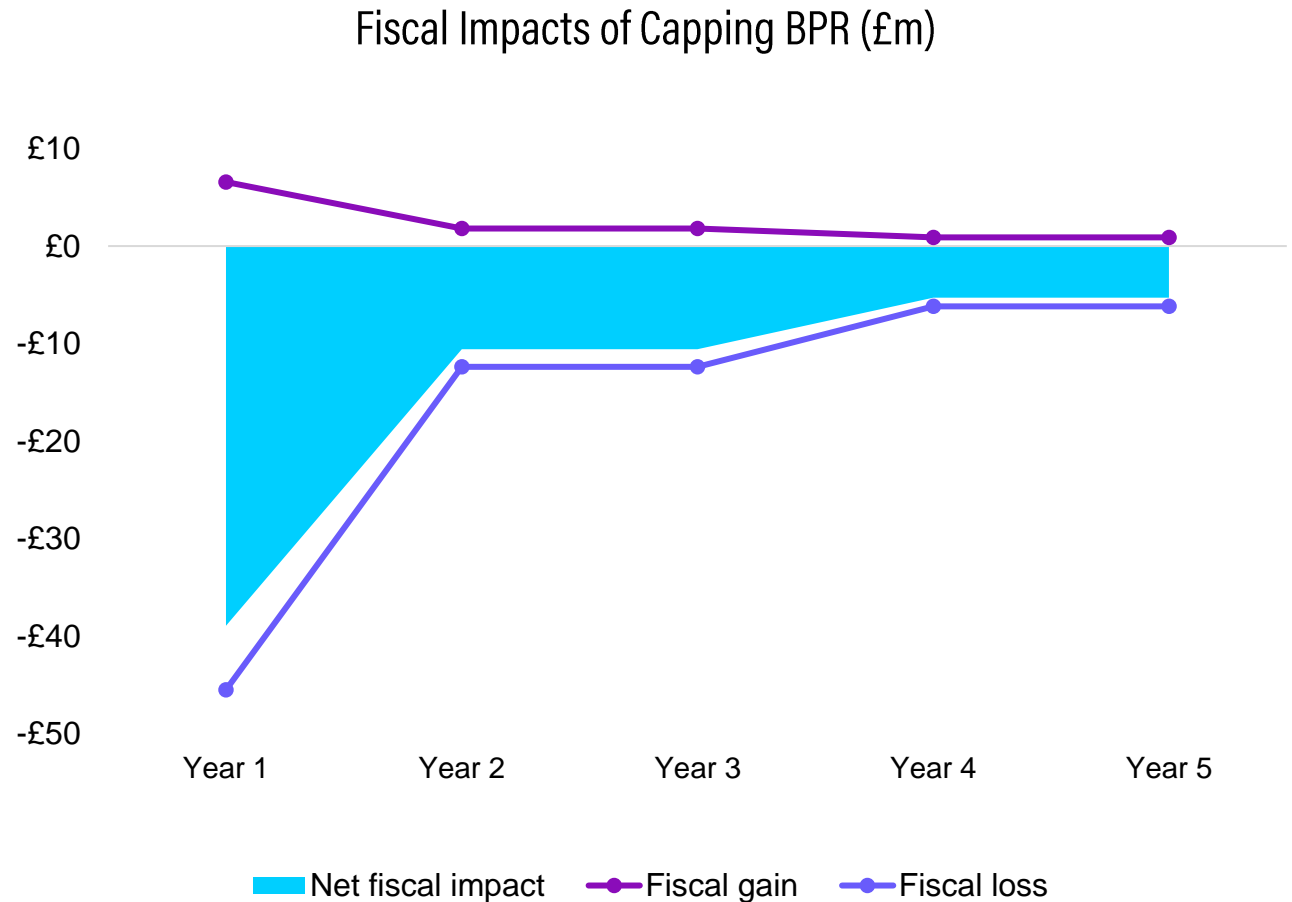


\*These are the supply chain and induced impacts associated with reduced activity in the BHHPA sectors

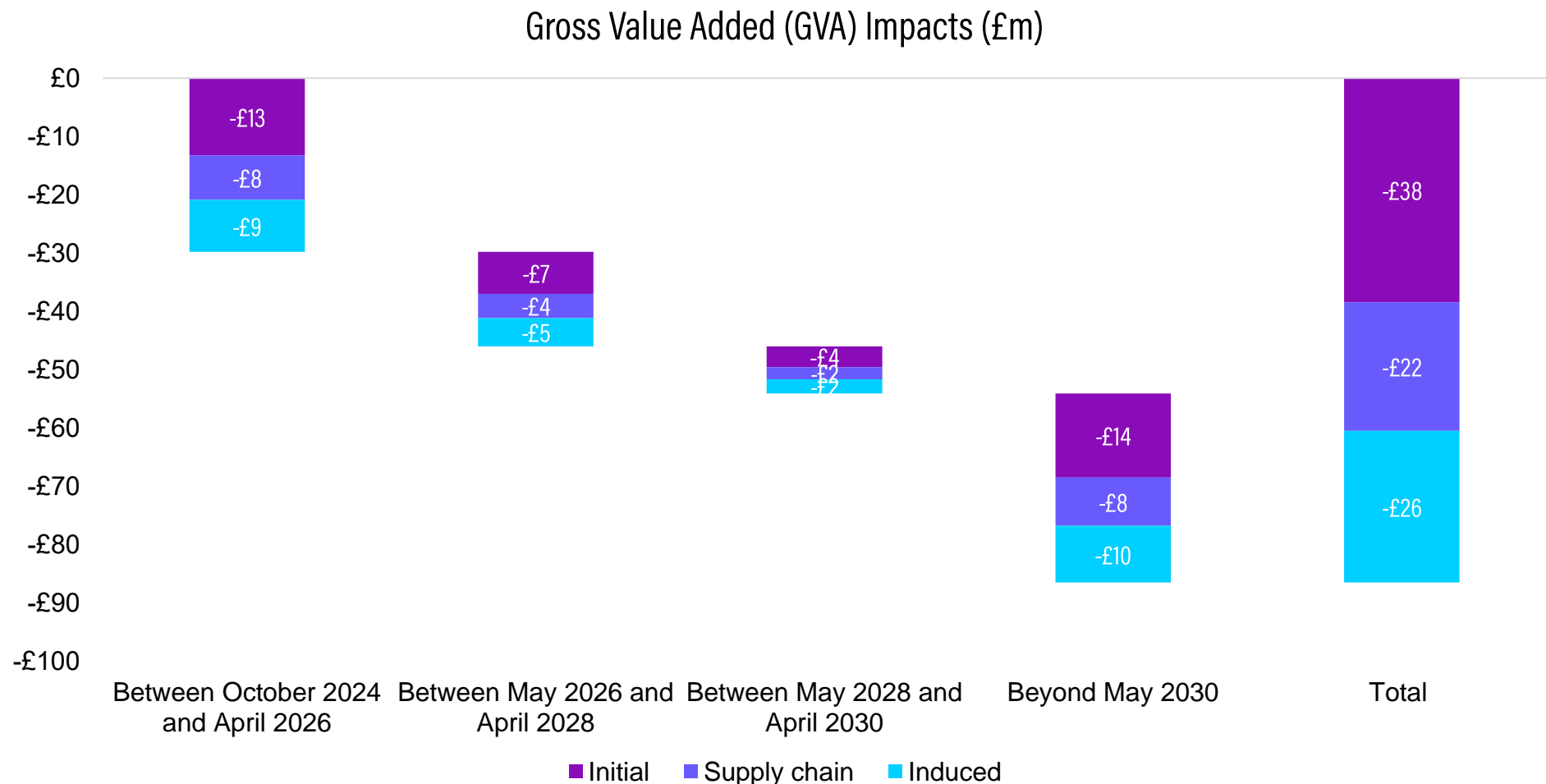
# Capping BPR at £1 million will also see a net fiscal loss of £70.7 million from the holiday & residential parks sector

Total fiscal contributions foregone from reduced economic activity will amount to **£82.6m**, while the fiscal gain from the policy is estimated at **£11.9m**.

This gives a net fiscal loss to the Exchequer from BPR of **£70.7m**.

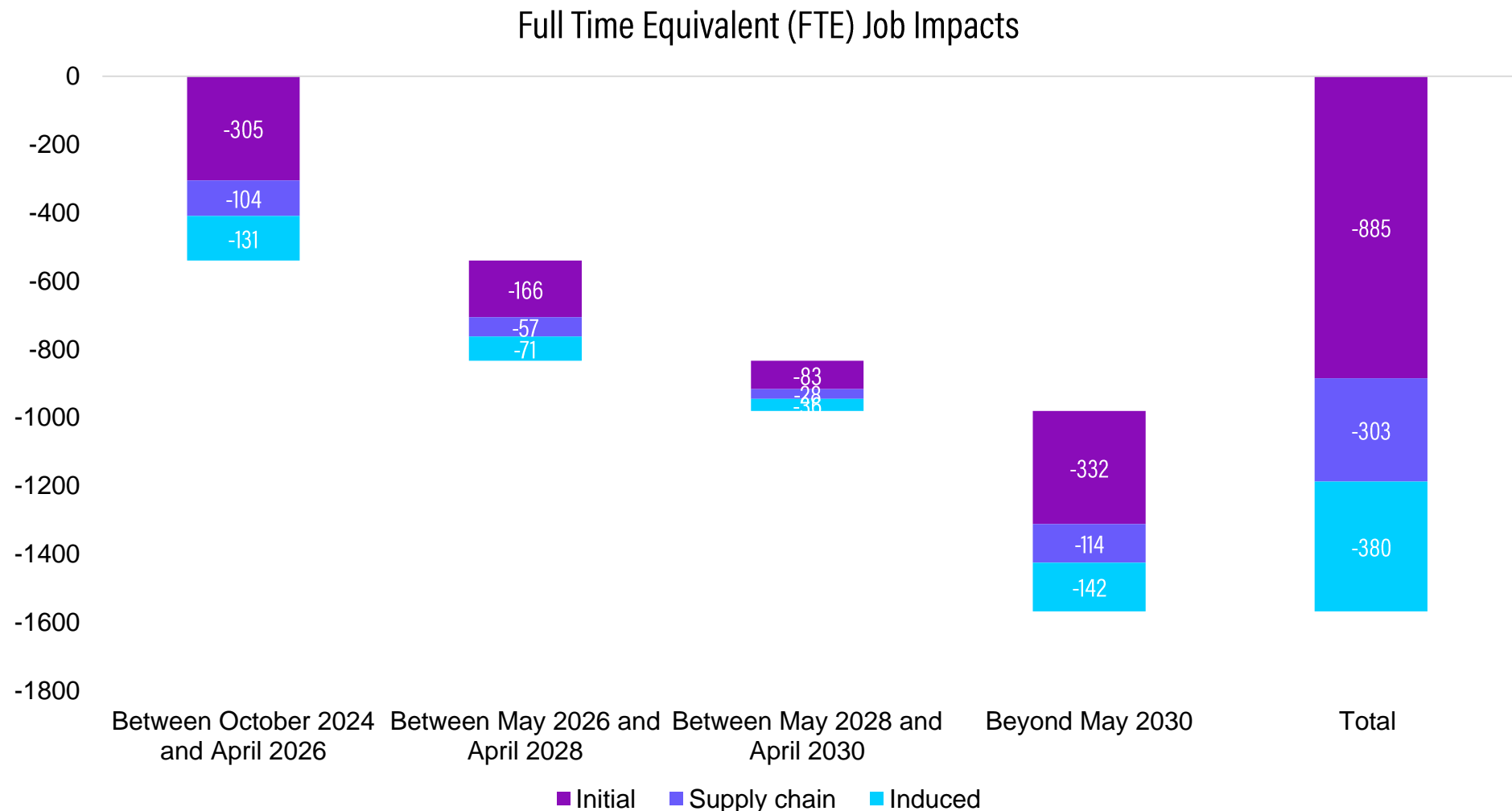


# Capping APR at £1m will bring a further £38 million loss in GVA for the UK's holiday & residential parks sector, rising to £87 million across the wider UK economy\*



\*The total impacts across the UK economy include direct sector impacts, as well as the supply chain and induced impacts associated with reduced activity in the BHHPA sectors

# The change to APR puts an additional 885 sector jobs at risk (a 1.4% reduction in employment), rising to 1,568 FTE jobs across the UK economy once wider impacts\* are included

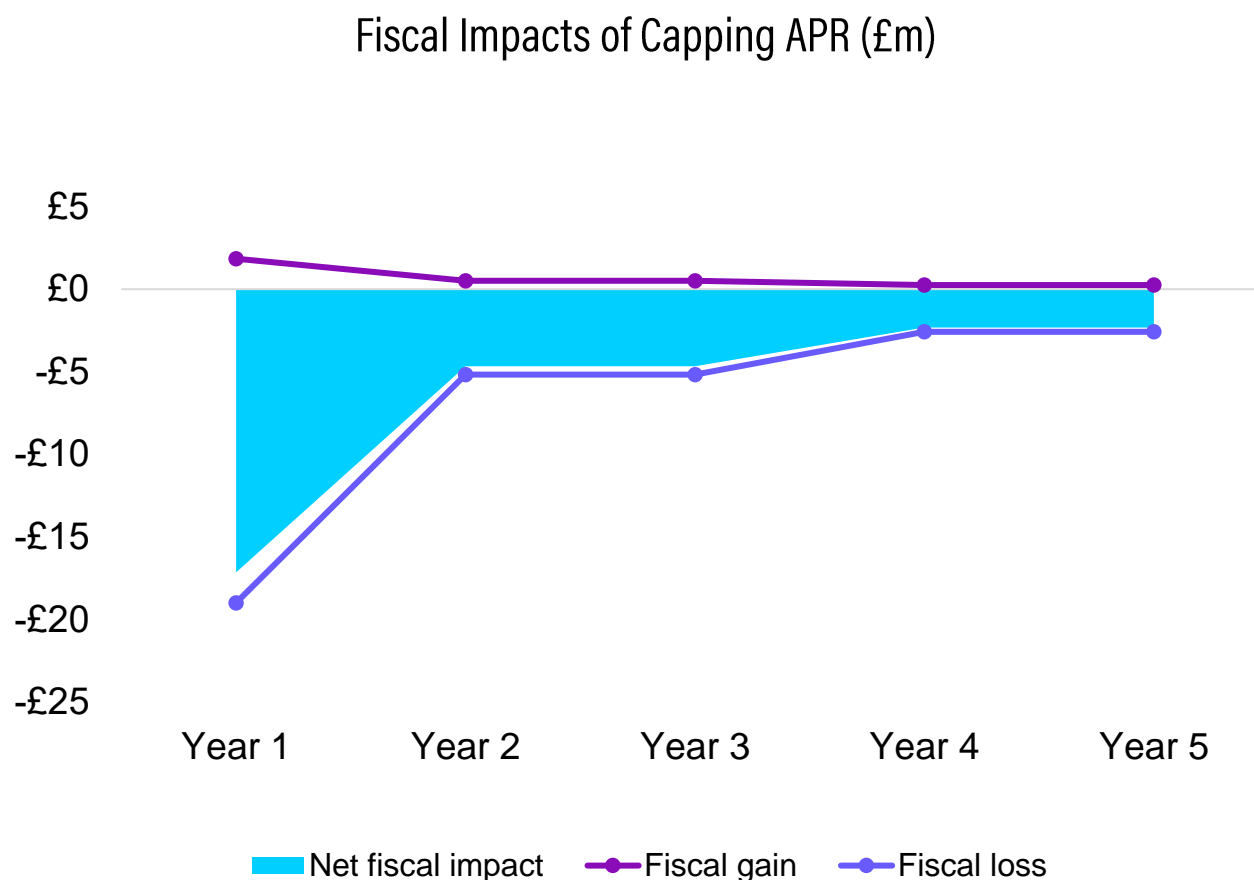


\*These are the supply chain and induced impacts associated with reduced activity in the BHHPA sectors

# Through these impacts, the sector's net fiscal contribution from APR is expected to fall by £31.1 million

Total fiscal contributions foregone from reduced economic activity will amount to **£34.5m**, while the fiscal gain from the policy is estimated at **£3.4m**.

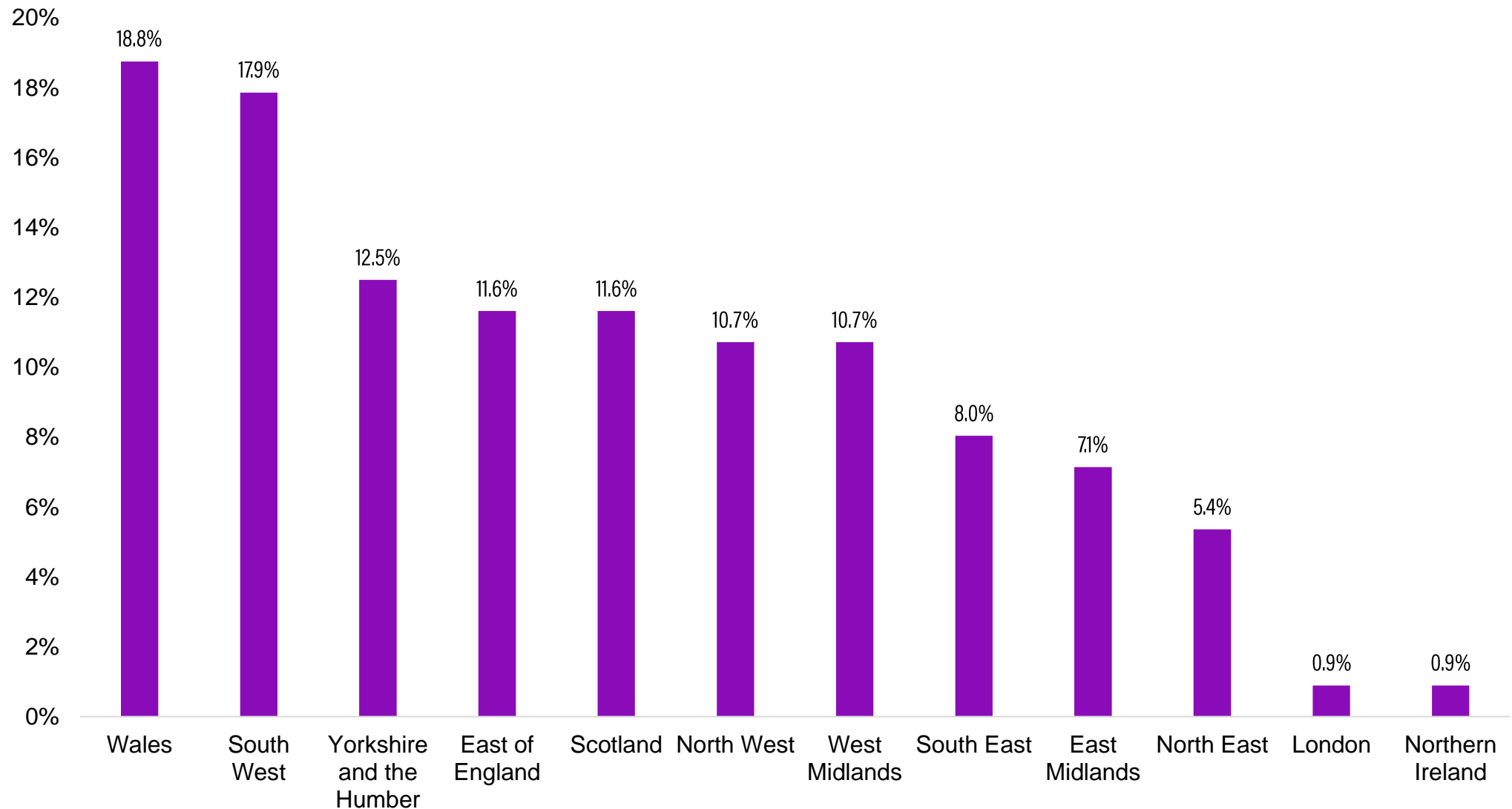
This gives a net fiscal loss for the Exchequer from APR of **£31.1m**.



## Appendix – Survey coverage

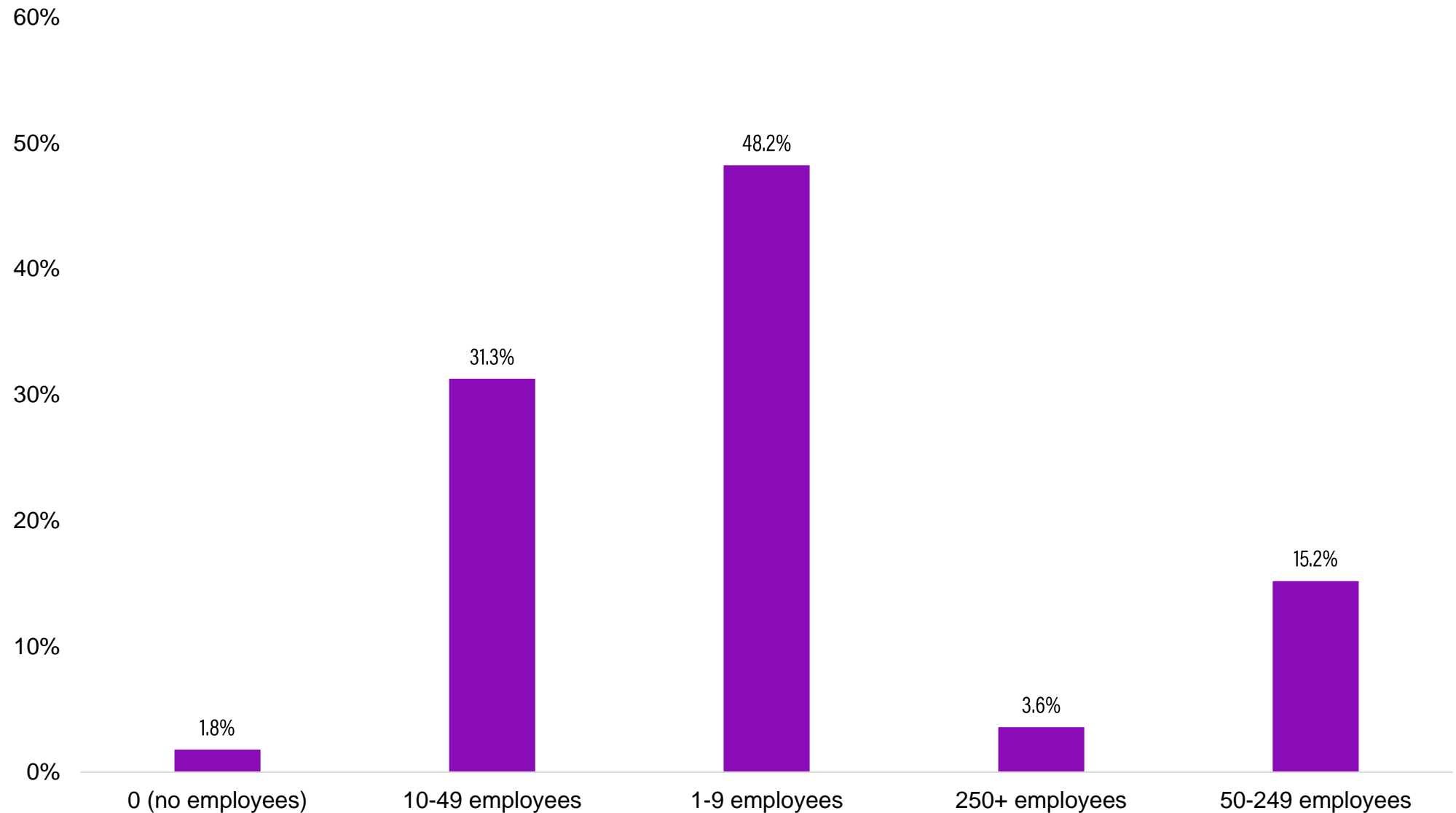


# Regional coverage

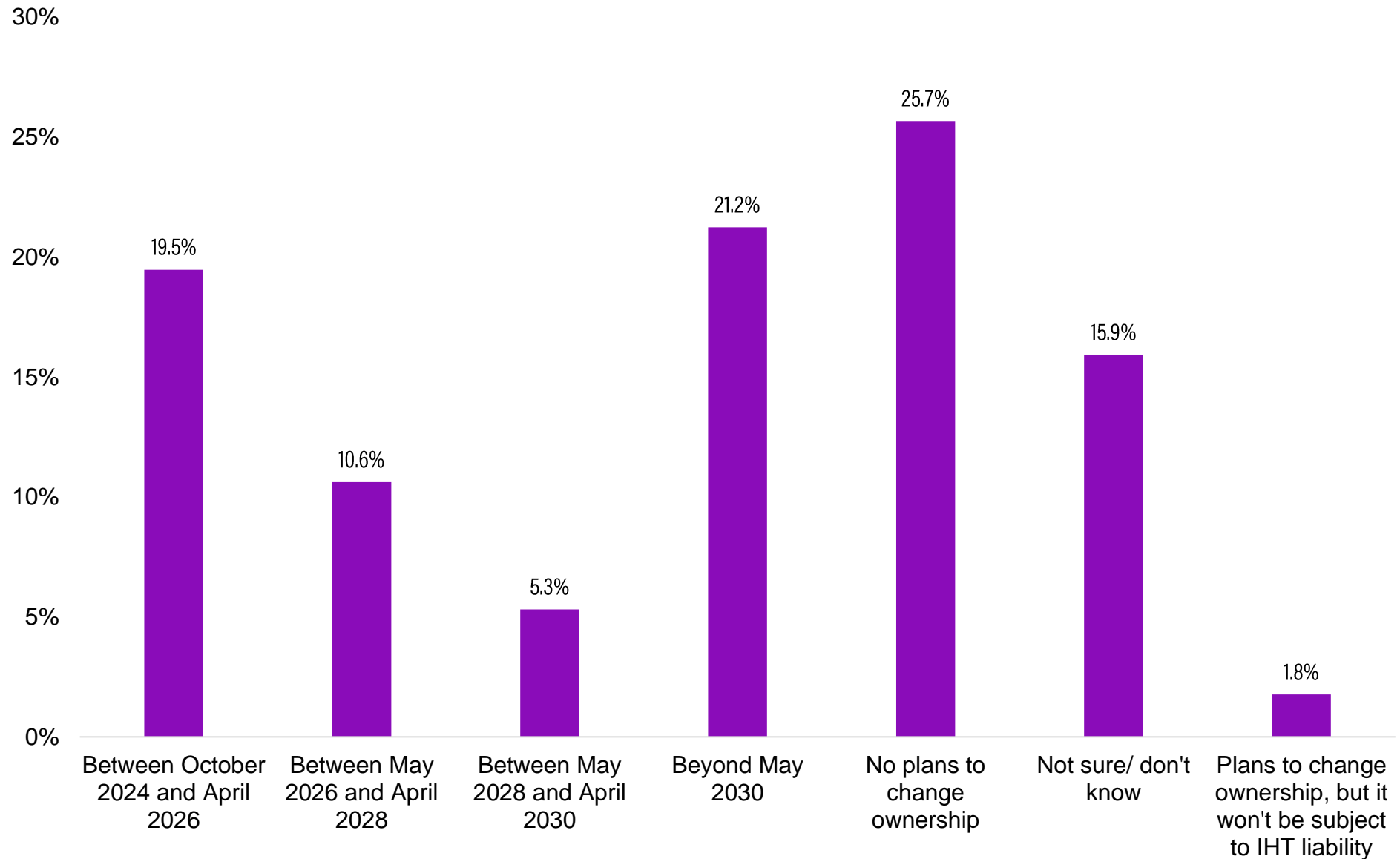


This question was multiple choice as businesses operate across multiple regions so the percentages will not equate to 100%.

# Business size breakdown



# Ownership changes

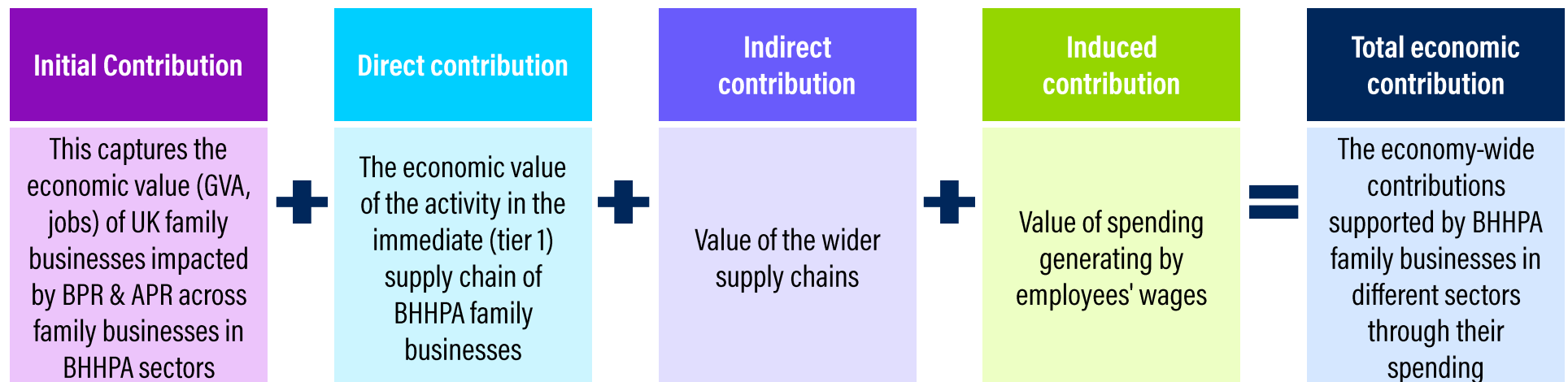


# Appendix – Modelling



# The CBI Economics model

- Using the survey to understand how output will change for businesses in BHHPA's sector, we used CBI Economics' in-house model of the UK economy. The model was developed by expert economists and aligned with Green Book guidance, using the Input-Output (IO) framework to map sectoral inter-dependencies.
- 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 to 2024.
- The model produces **GVA and full-time equivalent (FTE) employment contributions** at the UK level, considering the initial, direct, indirect, and induced contributions.



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