POLICY PAPER

30 April 2026

Inheritance Tax and Unlisted Trading-Company Shares

A policy options paper

Subject

The operation of the reformed inheritance tax regime as it applies to shares in unlisted UK trading companies, following the changes to Business Property Relief that took effect from 6 April 2026.

Purpose

To set out three policy options for the operation of the reformed regime, the empirical evidence and behavioural assumptions underpinning each, and an analysis of the consequences of each option under different evidence scenarios.

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Published by The Longer Look — thelongerlook.com

About this paper

What this is

This paper is a **citizen-produced policy options paper**, written by Doug Scott and modelled on the format HM Treasury uses for internal policy options papers shared with ministers. It is NOT an HM Treasury or HMRC publication. It carries no Crown copyright, no HMT or HMRC reference number, and no official imprimatur. The format is borrowed; the content is the author's own.

The author has chosen this format because the content of the paper — three policy options, a behavioural-evidence base, four scenarios for what different evidence would mean — fits the policy-options-paper genre more naturally than it fits a long-form essay or article. A reader who works in tax policy will find the structure familiar; a reader who does not will find it disciplines the analysis usefully. The format does not change what the paper says; it changes how clearly the paper says it.

The paper draws on data published by the Office for Budget Responsibility, HM Revenue & Customs, the Financial Times (citing Companies House records), Sifted, the Centre for Economics and Business Research, and others. All sources are cited in the text or in Annex A. Where the analysis goes beyond cited sources, it is the author's own and is identified as such.

Method and disclosure

Author. Doug Scott. Founder and ex-CEO of Redbrain.com. Architect of the analysis: defined the question, judged every draft, ran the substantive disagreements until they resolved, rejected directions that did not survive scrutiny.

AI tools used as builders. Across the production of this paper, four large-language-model AI systems — Claude (Anthropic), ChatGPT (OpenAI), Grok (xAI) and Gemini (Google) — acted as builders, used across multiple parallel sessions, with each tool drafting text, modelling numbers, structuring arguments, finding evidence, and stress-testing the case from positions the author asked it to take. The substantive judgments are the author's. The writing is collaborative.

Author's interest. The effects of this reform do affect the author and his family directly. He is trying to be impartial to the best of his abilities. The paper sets out the question, the open evidence, and what different empirical outcomes would imply — without arguing for one option over the others. Readers should weigh the analysis with that knowledge.

Companion piece. This paper accompanies an article in The Longer Look ("Inheritance Tax and the Companies the Country Says It Wants More Of", 30 April 2026, available at

thelongerlook.com). The article and this paper share the same analytical content; the paper presents it in policy-options format for readers working on the question professionally.

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Ministerial summary

THE QUESTION FOR MINISTERS

Whether the death-event valuation mechanism in the reformed inheritance tax regime is operationally fit for shares in unlisted UK trading companies.

1. The reform of Business Property Relief that took effect on 6 April 2026 caps 100 per cent BPR (combined with Agricultural Property Relief) at £2.5 million of qualifying assets per person, with 50 per cent relief on the excess. The £2.5 million allowance is transferable between spouses and civil partners, giving couples a combined £5 million of qualifying assets at 100 per cent relief, on top of nil-rate bands. Assets above the allowance attract IHT at an effective rate of 20 per cent. The reform brings shares in unlisted UK trading companies — including founder equity, venture LP interests, and EIS portfolios — into the IHT base above the allowance. HMRC's December 2025 estimate is that approximately 1,100 estates will pay additional IHT in 2026-27 as a result of the wider APR/BPR reforms, of which approximately 185 estates include an APR claim. The BPR-only subset on which this paper focuses (unlisted trading-company-share holders) is a portion of the remaining ~915 BPR-only estates; the precise sub-segment most affected by the operational mechanism question is in the low hundreds, but the wider cohort whose tax planning is affected runs to several thousand households.

2. The principle of the reform is settled and is not in dispute in the analysis below. All three options canvassed in this paper accept that very large illiquid private holdings should be brought into the inheritance tax base. The disagreement is operational: whether the death-event valuation mechanism, as applied to this particular asset class, is producing a regime that ministers can defend.

3. Three options are set out:

Option A · Hold mechanism	Option B · Switch to CGT on realisation
Maintain IHT-at-death. Adopt four practical measures. Resource SAV adequately.	Replace IHT-at-death with CGT charged on actual realisation by the heir, no base-cost uplift. Long-stop deemed disposal at year 10–15.

Option C · Hybrid with conditional review

Adopt the four practical measures common to A and B; commission HMRC dynamic modelling on relocation, SAV caseload, and receipts; set a twelve-month formal review against five calibrated trigger criteria; pre-draft the Option B legislation in parallel so that, if any two trigger criteria are breached, the mechanism switch fires at the next Finance Bill.

4. The four practical measures common to all three options are: (i) a collateral-trigger rule, closing the use of inherited unlisted shares as collateral for borrowing as a means of avoidance; (ii) publication of a statutory safe-harbour valuation methodology by HMRC's Shares and Assets Valuation team; (iii) targeted tightening of the temporary non-residence rules; and (iv) practical guidance on structured buy-backs under CTA 2010 s.1033 to fund instalments.

5. The empirical evidence base for the choice between options is partial and must be read carefully. The Office for Budget Responsibility's January 2025 supplementary forecast assumes a 25 per cent departure rate among non-doms with excluded property trusts and a 12 per cent departure rate among other non-doms — but these figures are for the non-dom reform, not the IHT reform, and apply to a different population. The implied behavioural assumption for the BPR-affected cohort has not been separately published, and the EPT figure is not directly transferable. Financial Times analysis of Companies House records shows 3,790 UK company directors changed their primary residence to abroad between October 2024 and July 2025, a 40 per cent increase on the prior year — but this figure is much larger than the BPR-affected cohort and the period coincides with multiple tax-policy changes (non-dom reform, CGT changes, carried-interest changes), so the data cannot isolate BPR-driven departures. What the public evidence supports is that wealthy UK directors were relocating in higher numbers; what it does not support is a confident finding that the BPR mechanism specifically is driving large-scale departures.

6. This finding has implications for any framework — including Option C — that relies on post-reform data to drive a subsequent decision. Any HMRC modelling commissioned after April 2026 will measure a population that has already partly responded; the most mobile members of the affected cohort have already exited the dataset. The reader should hold this baseline issue in mind throughout the analysis below.

7. This paper does not recommend a specific option. Each of the three has internally coherent supporters; each rests on different empirical assumptions and different normative priorities; each has identifiable consequences under each plausible empirical outcome. The paper sets out the analysis in a form ministers can use to make the decision the analysis cannot make for them.

Decision required of ministers

(i) Whether to adopt the four practical measures in their entirety. (Officials' view: low political cost, common ground across all three options, recommended in any case.)

(ii) Whether to commission the HMRC dynamic modelling exercise within 30 days. (Officials' view: required under any of A, B, or C; cost approximately £1.2m; recommended in any case.)

(iii) The choice between Option A, Option B, and Option C with hard triggers. This decision is for ministers; this paper presents the analysis but does not recommend.

(iv) If Option C is chosen: the calibration of the trigger thresholds, the methodology safeguards on adviser-survey and SAV-discount evidence, and the parallel legislative drafting authorisation for Option B.

1. Background and the operative question

1.1 The reform

1.1 From 6 April 2026, the operation of Business Property Relief (BPR) under the Inheritance Tax Act 1984 has changed. The 100 per cent rate of relief applies only to the first £2.5 million of combined qualifying agricultural and business property per individual, with 50 per cent relief on the excess. The £2.5 million allowance is transferable between spouses and civil partners, enabling a combined £5 million 100 per cent allowance per couple. The allowance refreshes every seven years for individuals (ten for trusts) and is to be index-linked to CPI from April 2031. Above the allowance, the effective IHT rate is 20 per cent (50 per cent relief on the standard 40 per cent rate). The original Autumn Budget 2024 proposal had set the cap at £1 million; the figure was raised to £2.5 million in a government announcement on 23 December 2025, with the change reflected in the Finance Act 2026.

1.2 The reform was announced at Autumn Budget 2024 and brought into force from 6 April 2026 with an anti-forestalling provision applying to lifetime gifts made on or after 30 October 2024 where the donor dies within 7 years. Tax due above the allowance can be paid in 10 annual instalments, interest-free for the first nine years.

1.3 HMRC's December 2025 estimate is that approximately 1,100 estates will pay additional IHT in 2026-27 as a direct result of the reform. Of those, around 185 estates include a claim for APR. The remaining ~915 estates are BPR-only; this includes estates affected by the separate change to AIM-listed and other not-listed-on-recognised-exchange shares, which now receive 50 per cent rather than 100 per cent BPR regardless of the £2.5m allowance. The narrower subset of BPR-only estates that hold qualifying unlisted trading-company shares of the kind on which the operational mechanism question primarily turns is a portion of the ~915 figure (precise breakdown not separately published). The cohort affected is small in number but disproportionately concentrated among holders of unlisted UK trading-company shares — including founders of growth-stage companies, holders of EIS portfolios, and investors in venture and private equity funds via LP interests.

1.2 What is in dispute

1.4 The principle of the reform — that very large illiquid private holdings should be brought into the inheritance tax base — is not in dispute in this paper. All three options canvassed below accept it. The pre-reform position, in which BPR provided an unlimited 100 per cent exemption on qualifying business assets, was an outlier in international practice; the principle that wealth above the allowance should be taxed at the point of generational transfer is well established.

1.5 The disagreement is operational. It concerns whether the mechanism by which the reform applies — a death-event valuation followed by an instalment-funded charge — is fit for the asset class to which it now applies. Three operational issues have been identified:

- **Behavioural response.** Pre-emptive relocation by holders of affected assets, leaking forecast revenue and reducing the cohort the regime is meant to capture.
- **Valuation dispute caseload.** HMRC's Shares and Assets Valuation team faces a growing backlog of multi-year disputes over the death-date value of unlisted shares, with no published statutory methodology to anchor the valuation exercise.
- **Avoidance through collateralisation.** Inherited unlisted shares may be used as collateral for borrowing without crystallising tax — the "buy-borrow-die" vector — which is currently unmitigated.

1.6 Whether these issues are resolvable through measures within the existing mechanism (Option A's view), or require a change in the mechanism itself for this asset class (Option B's view), or should be deferred pending evidence (Option C's view), is the operative question for ministers.

1.3 The cohort affected

1.7 HMRC's December 2025 central estimate of approximately 1,100 estates affected in 2026-27 (across the whole APR/BPR reform) should be read as a lower bound for the population whose behaviour is relevant to the policy question. The wider cohort whose tax planning is materially affected by the reform — including living holders of substantial unlisted shareholdings, partners in venture and private equity funds, and EIS investors — is considerably larger. Industry estimates of the affected planning population range from approximately 8,000 to 15,000 households, though these figures are not officially published and should be treated as approximate.

1.8 The relevant point for the policy choice is not the number of estates that will pay additional tax in any given year, but the number of households whose location, structure, and investment decisions are affected by the reform's existence. That is the population whose behaviour will determine whether the regime collects what is forecast and whether the affected cohort remains broadly in place.

2. The three options

2.1 This paper considers three options for the operation of the reformed regime. Each is presented on its proponents' best terms. None is the recommendation of this paper.

2.1 Option A — Hold the existing mechanism

Description

2.2 Maintain IHT-at-death as the taxable event for unlisted trading-company shares above the £2.5m/£5m allowance. Adopt the four practical measures (Section 2.4). Resource HMRC's SAV team to handle the dispute caseload. Make no further mechanism change.

Argument in favour

2.3 The principle of the reform requires a death-event tax. Mechanism change for one asset class would constitute a special carve-out for the wealthiest holders, weakening the principle the reform is meant to embody. The cohort directly affected is small (approximately 1,100 estates per year across the whole APR/BPR reform; the unlisted-trading-company-share subset on which this paper focuses is in the low hundreds within that). The four practical measures address the genuine operational issues. Mechanism change carries political risk and design risk that holding does not. The strongest form of Position A goes further: the operational-mismatch argument is the same argument advocates of every tax targeting the wealthy have always advanced — that this tax is uniquely unfit, this asset class uniquely illiquid, this cohort's behavioural response uniquely large. The historical record of these arguments is that they are usually overstated and almost always advanced by the people most affected. Position A's strongest reading is that the present argument should be treated the way comparable arguments have always been treated: with measured scepticism.

Argument against

2.4 The mechanism produces problems no first-principles design would generate: a growing dispute caseload at SAV that may not scale with industrial-strategy growth assumptions; behavioural pressure on the affected cohort that leaks revenue through pre-death relocation (already observable, see Section 3); and an avoidance vector through collateralised borrowing that the existing regime does not close. The four practical measures address some of these issues but not all.

Indicative cost

2.5 Option A is the baseline policy. Costing is the OBR's October 2024 baseline. The four practical measures have indicative costs of (i) collateral-trigger rule: revenue-positive at the margin, no first-order cost; (ii) safe-harbour methodology: HMRC operational cost of approximately £4–6m per year, offset over time by reduced dispute volume; (iii) TNR tightening: revenue-positive; (iv) buy-back guidance: no first-order cost.

2.2 Option B — Switch to Capital Gains Tax on realisation

Description

2.6 For shares in unlisted UK trading companies above the allowance, replace IHT-at-death with Capital Gains Tax charged on actual proceeds when the heir disposes of the asset. No base-cost uplift on death. Combine with a long-stop deemed-disposal rule at year 10 or 15 (if no realisation event has occurred by then), payable on actual realisation thereafter, and a collateral-trigger rule equivalent to the one in Option A. CGT charge at the prevailing main rate (24 per cent at the time of writing). Allowance structure preserved.

Argument in favour

2.7 The mechanism collects the same principle — taxation of generational wealth transfer — against optimised exit values rather than contested death-date values. Administrative cost is lower; SAV's role becomes residual rather than central. The realisation basis aligns the tax event with cash availability, removing the funding pressure that drives the most behaviourally-distorting responses. Australia has operated a comparable rollover-to-realisation regime for forty years; see Section 4. Pre-positioning behaviour is reduced because the tax falls on the heir at realisation, not on the estate at death.

Argument against

2.8 Mechanism change for one asset class is by definition unequal treatment relative to other illiquid assets brought into the IHT base by the same reform (notably agricultural property). The long-stop is structurally weaker than its proponents acknowledge: if the asset remains illiquid at the long-stop date, the long-stop may recreate the same valuation and liquidity problem the original mechanism produced. Political characterisation as climb-down is a real risk. Some segment of the cohort — pre-revenue founders facing a long-stop charge they cannot fund without forced sale — will continue to find the regime uncomfortable.

2.8a There is a further structural objection that has not been examined in the public debate and that ministers should consider explicitly. Under Option B's payment-on-realisation deferral, the state holds an unfunded contingent claim against the equity of private companies for potentially decades. Functionally, this gives the state economic exposure to the company's outcomes without governance rights — upside participation through the eventual CGT take if the company succeeds, total loss if it fails. The economic shape is closer to a passive limited-partner interest in venture equity than to ordinary tax collection. Across the affected cohort, the state ends up holding contingent quasi-equity exposure across hundreds (over time, thousands) of UK private companies, selected by the non-random criterion of which founders or significant shareholders died holding them. This raises questions the policy paper format is well placed to surface: the tax administration choice has constitutional and economic-policy implications (state economic interest in private business, alignment of state incentives with company outcomes, the absence of governance frameworks normally accompanying state equity exposure) that are not captured by treating Option B as simply a tax mechanism. These implications may be acceptable. They may even be desirable on industrial-strategy grounds. They have not been deliberated as such, and a decision on Option B should not be taken without their being deliberated.

Indicative cost

2.9 Option B's revenue impact relative to Option A is contested and depends critically on assumed behavioural elasticity. Static modelling on Option A's baseline would suggest a small revenue reduction (tax falls later, against potentially smaller bases). Dynamic modelling that prices in the relocation-channel reduction Option B would deliver may reverse this finding. The key empirical input is the OBR's behavioural assumption (currently 25 per cent for excluded-property-trust non-doms; the implied assumption for the BPR-affected cohort has not been published). Officials estimate a net revenue impact in the range of -£200m to +£600m per year, depending on which assumption is correct, with central case approximately -£100m per year over the first five years.

2.3 Option C — Hybrid with conditional review

Description

2.10 Adopt the four practical measures within ninety days. Commission HMRC dynamic modelling on relocation elasticity, SAV caseload trajectory, and CGT realisation distribution within thirty days. Set a twelve-month formal review against five calibrated trigger criteria (Section 2.5). Draft the Option B legislation in parallel so that if any two trigger criteria are breached at the review point, the mechanism switch takes effect at the next Finance Bill. Publish the modelling output, the trigger thresholds, and the parallel legislation openly.

Argument in favour

2.11 Option C is internally consistent under both empirical outcomes. If the data subsequently supports Option A, the four practical measures stand on their own merits and the regime is improved. If the data subsequently supports Option B, the legislation is ready and the switch happens without a further round of consultation. The framework binds the Government to the right answer under either empirical outcome and removes the political cost of being seen to capitulate or to dither.

Argument against

2.12 Three objections: (i) the trigger may fire under contested data, producing a hasty mechanism change (Position A's concern); (ii) the trigger may fail to fire under supportive data, entrenching an inadequate regime (Position B's concern); (iii) the post-reform data on which the trigger relies is already partial — the most mobile members of the cohort have already pre-positioned, so the trigger thresholds are calibrated against a depleted dataset (a structural concern with any conditional framework that uses post-reform data, addressed further in Section 3 and Section 6).

Indicative cost

2.13 First-year cost of approximately £1.2m for the modelling exercise. Parallel drafting of Option B legislation costs approximately £400k. Trigger review and publication costs approximately £200k. Total Option C cost relative to Option A baseline: approximately £1.8m one-off plus ongoing review costs. If the trigger fires, costs converge on Option B's costs; if it does not, costs converge on Option A's costs.

2.4 The four practical measures (common to all three options)

2.14 All three options adopt the same four practical measures. They are presented here separately because they are agreed across the policy debate; the choice of option turns on what else is done.

- **Collateral-trigger rule.** Use of inherited unlisted trading-company shares as collateral for borrowing above 25 per cent of the asset's assessed value triggers a deemed disposal proportionate to the encumbered share, crystallising the IHT instalment balance under Options A and C, and CGT under Option B if the trigger fires.
- **Statutory SAV safe-harbour methodology.** HMRC publishes a statutory valuation methodology covering preference-stack treatment, minority discount ranges by stake size, DLOM ranges by company stage, and aggregation under IHTA s.161. Estates that adopt the safe-harbour formula receive fast-tracked SAV approval.
- **Targeted temporary non-residence tightening.** Extends the qualifying TNR period from five to ten years for individuals whose UK-acquired assets exceed a defined threshold, integrated with registrar-level enforcement on UK-incorporated companies.
- **Structured buy-back guidance.** HMRC and HMT publish guidance on the use of company purchase of own shares under CTA 2010 s.1033 to fund IHT instalments out of operating cash flow. Guidance to be honest about scope: works for cash-generative private companies; does not work for early-stage venture-backed holdings or LP interests in closed-ended funds.

2.5 The five trigger criteria (Option C only)

2.15 If Option C is adopted, the twelve-month formal review assesses progress against five criteria. If any two criteria breach defined thresholds, the parallel-drafted Option B legislation takes effect at the next Finance Bill. The thresholds set out in the table below are illustrative — they describe the kind of trigger framework Option C would require, not operational figures that ministers should adopt as drafted. Robust calibration would require HMRC microdata, AEOI exchange information, and internal HMRC behavioural modelling, none of which is available to a citizen author. Honest framing requires this admission. The illustrative thresholds were initially calibrated against the early ~220 BPR-only-estate estimate; the December 2025 HMRC revision to ~1,100 affected estates makes recalibration necessary in any case. The author's recommendation, if Option C is pursued, is that HMRC and HMT recalibrate against the corrected cohort using internal microdata before the framework is adopted; the illustrative thresholds below are useful only as a sketch of what the resulting framework might look like.

Criterion	Threshold (illustrative)
1. Relocation evidence	Documented departures by primary residence change among the affected cohort exceed 60 in the 12-month review window

Criterion	Threshold (illustrative)
	(approximately 25–30% of HMRC's annual forecast affected population).
2. SAV dispute caseload	Pending SAV caseload exceeds 350 active files, with average resolution time above 24 months at the review point.
3. Receipts underperformance	Audited BPR-only estate IHT receipts in the first full operational year fall more than 20 per cent below Budget forecast.
4. Adviser-survey evidence	More than 35 per cent of advised affected estates report active relocation planning underway in a structured anonymous survey (methodology safeguards: independent academic methodology partner).
5. Valuation discounts	Settled SAV cases in the period show average final-assessed value at less than 65 per cent of opening assessment (audited against the population of settled cases, not the self-selecting subset).

3. Empirical evidence and behavioural assumptions

3.1 This section sets out the published evidence on the behavioural response to the announced reforms. The evidence is partial, has begun to accumulate before the IHT reform took effect on 6 April 2026, and has structural implications for any framework — including Option C — that relies on post-reform data to drive a subsequent decision.

3.1 Official UK government assumptions

3.2 The Office for Budget Responsibility's January 2025 supplementary forecast information release on the costing of reforms to the non-domicile regime (the OBR document, available at obr.uk) sets out the central behavioural assumptions in the Government's own scoring of those reforms. Two figures matter for the IHT cohort:

- **25 per cent** — the assumed departure rate among non-doms with excluded property trusts. This is the wealthiest, most internationally mobile cohort under the non-dom reform; it is not directly comparable to the BPR-affected cohort, which is governed by a different reform with different mobility characteristics, but it is the closest published official assumption on UK high-net-worth behavioural response.
- **12 per cent** — the assumed departure rate among other non-doms.

3.3 These are not lobby figures or industry projections. They are the central behavioural assumptions in the official UK Government costing that produces the £33.9 billion the non-dom reforms are projected to raise over five years. The OBR's process is to scrutinise and certify the Government's policy costings; HMRC produces the underlying assumptions. The 25 per cent figure represents what HMRC — having access to AEOI data, CRS/FATCA exchange information, and self-assessment-matched residency information — assumed as a central case for departures from the most affected population.

3.4 The implied assumption for the BPR-affected cohort has not been separately published. The 25 per cent EPT figure cannot be straightforwardly transferred to the BPR cohort: it is for a different population (non-doms with excluded property trusts) governed by a different reform (residence-based IHT for non-doms), and the BPR cohort and the EPT cohort have different mobility profiles. Founder equity in a UK trading company has, in some respects, lower mobility than EPT assets — the company itself, its customers, its team, and a significant portion of its value are tied to UK operational presence, which is harder to relocate than offshore trust assets. In other respects mobility may be higher (residence is mobile even where the company is not, and contemporary holding-company structures are well-developed). The honest framing is that no published official figure exists for BPR-cohort behavioural elasticity, the EPT figure is not a substitute, and HMRC modelling on the BPR cohort specifically would be the right basis for any conditional framework.

3.2 Companies House evidence

3.5 The Financial Times, drawing on Companies House records of UK company directors' registered country of residence, published an analysis in 2025 that produced the cleanest available behavioural data:

- **3,790** UK company directors changed their primary residence to abroad between October 2024 and July 2025.
- **2,712** — the equivalent figure for the same period in 2023, providing a 40 per cent year-on-year comparison.
- **691** — director departures in April 2025 alone, 79 per cent above April 2024 and 104 per cent above April 2023.
- **Approximately 150** — UK-based directors who moved specifically to the UAE between April and June 2025.

3.6 This data is verifiable behavioural evidence drawn from a public statutory register, but it must be read with significant care. The 3,790 figure is much larger than the BPR-affected cohort (HMRC's December 2025 estimate of approximately 1,100 estates affected by the whole APR/BPR reform, of which the unlisted-trading-company-share subset is a portion). Most of the 3,790 directors are therefore not BPR-affected at all. The October 2024 — July 2025 period coincides with multiple tax-policy changes besides the IHT reform: the non-dom reform (effective April 2025), residence-based IHT for non-doms, capital gains tax changes, carried-interest changes, and general political and economic uncertainty. The April 2025 spike in director departures correlates more directly with the non-dom reform's effective date than with the BPR reform (which took effect a year later). The data demonstrates that wealthy UK-resident individuals in director-class roles were relocating in significantly higher numbers in 2024-25 than in earlier years; it does not isolate the BPR-driven component, and treating it as direct evidence of BPR-driven behaviour would overstate what the data shows. The honest reading: this is suggestive evidence of a broader behavioural environment in which the BPR reform is one of several pressures; it is not direct evidence about the BPR cohort specifically.

3.3 Adviser-survey and named-case evidence

3.7 Sifted, the European technology trade publication, reported in May 2025 that four UK tax-advisory firms — Wilson Partners, Evelyn Partners, Founders Law, and Capital Partners — confirmed a marked uptick in UK-based tech-founder enquiries about Dubai relocation. Founders Law specifically reported that UAE relocation now features in 15–20 per cent of all new business enquiries received by the firm.

3.8 Named individual departures in the technology cohort include Nik Storonsky, founder of Revolut (UAE); Herman Narula, co-founder of Improbable, a company most recently valued at approximately £700 million (UAE, in preparation); and a number of named non-tech billionaires including Lakshmi Mittal. The departures are reportable, individual, and concentrated at the upper end of the founder cohort.

3.4 Contested figures

3.9 The widely-cited Henley & Partners Private Wealth Migration Report 2025 projection of 16,500 UK millionaire net departures in 2025 has been forensically critiqued by Tax Policy Associates (July 2025) and by Tax Justice Network (independently). The critiques document: that the underlying methodology is the work of a single-employee research firm; that the definition of "wealth" has changed materially across reports without producing the data effects those changes should have produced; that the data shows statistical anomalies (excess of even-numbered values, unusual digit-clustering) suggestive of estimates rather than measurements; and that official UK figures contradict the Henley figures by margins of 70 to 100 per cent in some cases. Tax Policy Associates concludes that the reports should be treated as marketing material rather than evidence.

3.10 This paper does not rely on the Henley figure. The narrower, harder-data findings — the OBR's own assumption, the Companies House director-departure trend, and the named cases — are not subject to the same methodological objections.

3.5 Implications for any conditional framework

3.11 Option C, and any other framework that commissions modelling and waits for post-reform data, must reckon with the following structural problem: the data on which a subsequent decision would be made will measure a population that has already partly responded. The early-mover cohort has, in significant part, already exited the dataset. This means:

- Measured behavioural response will systematically understate true behavioural response. A small measured number of post-reform departures is consistent with either a small underlying response or a large response already absorbed into pre-reform departures. Scenario analysis (Section 5) cannot distinguish these.
- Trigger thresholds calibrated against historical comparator data will be biased low. The 60-departure threshold proposed for Trigger Criterion 1 was calibrated against pre-reform expectations; in light of the 691-director-departure figure for April 2025 alone, it should be re-examined.
- HMRC modelling commissioned now will need to make explicit assumptions about the depleted-dataset problem. A central case that ignores pre-reform departures will systematically underestimate; a central case that attempts to correct will require assumptions that are themselves contestable.

3.12 This is not a fatal objection to Option C, but it is a real one, and any version of Option C that ministers consider should incorporate explicit methodology safeguards on this point. Section 6 returns to the issue.

4. International comparators

4.1 This section sets out how comparable jurisdictions tax intergenerational transfer of unlisted trading-company shares. The comparison is included because the UK's chosen combination — a £2.5m / £5m allowance, 50 per cent relief above, full death-event valuation, no realisation route, no business-specific conditional relief above the threshold — is operationally distinctive in international terms.

4.1a Inclusion principle. The comparator set covers G7 economies (US, UK omitted as the subject jurisdiction, Canada, France, Germany, Japan, Italy implicit in the EU treatment) plus other major economies whose business-succession regimes are frequently cited in UK debate (Australia, Switzerland, UAE) plus South Korea (frequently cited in advisory practice as a stricter regime). Italy is omitted only for length; Italian inheritance tax rates are low (4 per cent for direct descendants) with high allowances and would behave as another softer-treatment comparator. The set is intended to be representative across the spectrum of regimes (no inheritance tax; deemed-disposition; high-exemption; conditional-relief; strict death-event), rather than to support a particular conclusion.

4.1 Australia

4.2 No inheritance tax. CGT rollover at death: the heir inherits the deceased's cost base; CGT crystallises only when the heir later disposes of the asset. Pre-CGT assets (acquired before 20 September 1985) get a step-up to market value at death; post-CGT assets carry the deceased's original basis through to the heir.

4.3 This is the closest international precedent for what Option B proposes. The Australian regime has been operating for forty years. Australia raises substantially less revenue from intergenerational wealth transfer than the UK does — whether this is a feature or a flaw depends on the regime's primary purpose.

4.2 Canada

4.4 No inheritance tax in the formal sense, but a deemed-disposition rule at death: the Canada Revenue Agency treats the deceased as having sold all capital property at fair market value immediately before death. CGT crystallises on the deceased's final tax return. The heir inherits the asset at the stepped-up cost base. Spousal rollover provisions defer the tax until the second death.

4.5 This is structurally the opposite of Option B: the tax is brought forward to death rather than deferred to realisation. Capital gains inclusion rate is 50 per cent for the first $250,000 of annual gains, 66.67 per cent above; combined with provincial top marginal rates, the effective tax on large unrealised gains at death can reach 35 per cent or more. Canadian estate planning relies heavily on life-insurance funding.

4.3 United States

4.6 The US position changed materially under the One Big Beautiful Bill Act (July 2025). Effective 1 January 2026, the federal estate tax exemption is $15 million per person and $30 million per couple, made permanent and indexed to inflation. The top federal estate tax rate above the exemption remains 40 per cent. The step-up in basis on death survives unchanged.

4.7 In practical terms, US federal estate tax exposure now begins at approximately £11–12m equivalent per person at current exchange rates — far above the UK's new £2.5m allowance. For most family-business owners below this threshold, the federal tax position is straightforward: no estate tax, full step-up in basis. The US is not a direct mechanism comparator, but it is an example of one possible answer to the underlying normative question: the US has effectively decided that intergenerational business-wealth transfer below approximately $15m should not be taxed at all, and that pre-death capital appreciation should escape tax through the step-up.

4.4 Germany

4.8 Recipient-taxed inheritance tax (Erbschaftsteuer) with personal allowances per beneficiary: €500,000 for a spouse, €400,000 for a child, €200,000 for a grandchild. Tax rates 7–50 per cent depending on the recipient's tax class.

4.9 The mechanism that matters for the UK comparison is the conditional business-asset relief under §§13a and 13b ErbStG. Standard relief exempts 85 per cent of qualifying business value, conditional on a 5-year hold and cumulative payroll of at least 400 per cent of original annual payroll. Optional full relief exempts 100 per cent, conditional on a 7-year hold, cumulative payroll of 700 per cent, and a maximum 10 per cent share of administrative assets. Breach triggers proportionate clawback. Germany is the clearest example of a regime combining a death-event inheritance tax with structural carve-outs for genuinely-operating family businesses.

4.5 France

4.10 The Pacte Dutreil regime, set out in Articles 787 B and 787 C of the General Tax Code, provides a 75 per cent exemption from transfer taxes on qualifying business shares. Conditions: a collective undertaking to retain shares for at least 2 years before transfer; an individual undertaking by each heir to retain transferred shares for a further 6 years (extended from 4 by the 2026 Finance Act); and a management role exercised by at least one heir for 3 years.

4.11 Combined with allowances of €100,000 per parent per child every 15 years, effective transfer tax on a French family-business succession can fall to around 11–12 per cent. The 2026 Finance Act tightened the regime, excluding non-operating "luxury" assets from the exemption base.

4.6 Japan

4.11a Inheritance tax up to 55 per cent at the top marginal rate, with comparatively low basic allowances (¥30 million plus ¥6 million per statutory heir). Japan does provide a Business

Succession Taxation system (jigyō shōkei zeisei) for unlisted small and medium-sized enterprise shares, but the relief is conditional on extended holding periods and continued operation by family heirs, with strict clawback for breach. The regime is materially stricter than the UK's reformed BPR position above the £2.5m allowance, and Japan is frequently cited in tax-policy discussion as an example of a high-tax-on-succession jurisdiction.

4.7 South Korea

4.11b Inheritance tax up to 50 per cent at the top marginal rate, with a controlling-shareholder premium (typically 20 per cent) that pushes effective rates on family business succession higher still. Conditional reliefs for SME succession exist but with strict eligibility criteria. South Korea is the comparator that most clearly demonstrates that the UK's reformed regime is not at the strict end of the international spectrum: a UK family-business owner facing the new BPR cap pays materially less than the equivalent Korean owner of comparable assets.

4.8 Switzerland and the United Arab Emirates

4.12 Switzerland has no federal inheritance tax; cantonal taxes vary, but most cantons exempt direct descendants entirely. The UAE has no inheritance tax. Both are frequently cited as destinations for UK relocators in the affected cohort. They are not policy comparators in the sense the jurisdictions above are; they are relevant to the relocation channel rather than to the mechanism question.

4.9 Summary

4.13 The international landscape is wider than UK debate often acknowledges. At the soft-treatment end: Australia (no inheritance tax, CGT rollover at death), the United States (high $15m exemption with step-up), and Switzerland and the UAE (no or near-no inheritance tax). At the conditional-relief end: Germany (85–100 per cent business-asset relief subject to hold and payroll conditions) and France (75 per cent Pacte Dutreil exemption subject to retention undertakings). At the strict-treatment end: Canada (deemed disposition at death, effective rates up to 35 per cent on large unrealised gains), Japan (top rate 55 per cent with limited business-succession relief), and South Korea (top rate 50 per cent with controlling-shareholder premium pushing effective rates higher). The UK after April 2026 sits in the middle of this spectrum: stricter than the soft-treatment jurisdictions, less generous than the conditional-relief jurisdictions, but materially less harsh than Japan, South Korea, or Canada in pure rate terms.

4.14 What is genuinely distinctive about the UK regime is the combination of a relatively low allowance with no business-specific conditional relief above it. Several jurisdictions are stricter on rate; few combine the UK's exact allowance level with the absence of structural carve-outs for genuinely-operating businesses. This is the narrower form of the comparator finding: not that the UK is an outlier in the strictness of its overall position, but that it has chosen a structural design — flat allowance, no operational carve-out — that several peer jurisdictions facing similar political pressures have rejected. International evidence neither vindicates the UK regime nor condemns

it. The argument for Option A or for Option B has to be made on its own merits; international comparison is informative but not decisive.

5. Consequences under different evidence scenarios

5.1 This section walks through what each plausible evidence outcome from the modelling commissioned under Option C — or from the regime's first operational year under Option A — would imply for the policy question. The intent is to show ministers the consequences of each branch, so they can form a view on which outcome they consider most likely and which they would consider acceptable, rather than to predict which branch the data will land on.

5.2 Four scenarios are described. The reader should hold the timing point from Section 3 in mind throughout: each scenario describes what the data could measure, but the data will measure a population that has already partly responded. A small measured response is consistent with either a genuinely small underlying response or a large response already absorbed into pre-reform departures.

5.1 Scenario one — Small relocation channel; manageable SAV caseload

5.3 If HMRC's behavioural modelling shows annual departures from the affected cohort below approximately 30 in steady state, SAV caseload growth tracking estate-count growth linearly, and receipts within Budget forecast in year one — Option A is broadly vindicated. The four practical measures, plus adequate SAV resourcing, are sufficient. Mechanism change becomes unnecessary.

5.4 What this would mean. For Treasury: the reform delivers as designed; the £5m couple allowance is robust; the principle of fairness across asset classes is preserved. For the affected cohort: the regime is more navigable than the announced response suggested; funding routes work for cash-generative companies; the safe-harbour methodology removes most valuation uncertainty. For industrial strategy: the regime is neutral-to-positive.

5.5 Honest qualification. Even under this scenario, the venture-stage cohort (pre-revenue companies, illiquid LP interests) is not fully solved by the four practical measures. A small group continues to face genuine operational difficulty. That group is too small to drive policy change but real enough that individual cases will surface periodically.

5.2 Scenario two — Meaningful but bounded relocation channel

5.6 If HMRC modelling shows annual departures in the 30–80 range, SAV caseload growing somewhat faster than estate count but not unmanageably, receipts modestly below forecast (5–15 per cent) — the picture is mixed.

5.7 What this would mean. For Treasury: the question becomes harder. Holding the regime delivers most of the revenue but loses some; switching the mechanism may collect more but at the political cost of being seen to capitulate. The choice is genuinely contested on the empirics. For the affected cohort: the regime is operationally workable for most but pressure persists for the

segment most exposed to the mechanism mismatch. For industrial strategy: the cost is real but bounded — the UK retains most of its founder cohort but gives up some at the margin.

5.8 Honest qualification. This is the scenario in which design choices matter most, and in which conditional frameworks like Option C are most likely to be useful — because the evidence does not clearly support either direction.

5.3 Scenario three — Substantial capital flight and operational pressure

5.9 If HMRC modelling shows annual departures above 80, SAV caseload growing superlinearly with multi-year disputes the norm, receipts more than 20 per cent below forecast, and adviser-survey evidence of widespread relocation planning — the regime is in trouble. Option B's case strengthens substantially. Notably, the existing Companies House evidence on director departures (3,790 in October 2024–July 2025) is consistent with this scenario being already at least partly the realised outcome.

5.10 What this would mean. For Treasury: the choice becomes politically difficult but empirically clearer. The regime in its current form is not collecting what was forecast and is producing a measurable behavioural response. Mechanism change to a realisation basis would likely collect more, against optimised exit values, with lower administrative cost — but at the political price of being seen to retreat under lobbying pressure. For the affected cohort: the calculation that drove the relocation has been validated; the cohort that left does not return. For industrial strategy: the damage is significant and persistent. For the long-term tax base: mechanism change recovers some receipts going forward, but the lost cohort is lost.

5.11 Honest qualification. Even in this scenario, switching to Option B is not costless. Long-stop deemed-disposal mechanics need careful design or they recreate the original liquidity problem at the long-stop date.

5.4 Scenario four — The data is contested or delayed

5.12 The likeliest real-world outcome, on the historical record of UK tax policy reviews, is that the modelling produces a mixed picture, that the trigger thresholds in any conditional framework are challenged on definition, that the political environment by month 12 differs from the one in which the framework was set, and that the formal review does not produce a clean fire-or-not answer.

5.13 What this would mean. For any conditional framework — including Option C — credibility depends on the trigger firing under conditions advocates will agree have been met. If the data is genuinely contested, the trigger becomes another consultation rather than a forcing function. The political room that the framework was meant to bind closes; ministers face the choice without the cover the framework was intended to provide. For Treasury: this is the scenario most likely to result in the regime drifting in its current form for several years before any further change. For long-term policy quality: this is the worst outcome — the regime persists not because it is right but because the political conditions for changing it never quite cohere.

5.14 Honest qualification. This scenario is what makes Option A's and Option B's defenders most uncomfortable with conditional frameworks, in different ways. Option A's defenders fear the trigger will fire under contested evidence. Option B's defenders fear it will fail to fire under supportive evidence. Both fears are reasonable. Conditional frameworks are not robust to data-quality failure, and any framework that pre-commits to evidence-based action assumes evidence will be deliverable in a form that supports action.

6. Risks and limits of the analysis

6.1 Three limits should be named honestly, because the credibility of the analysis depends on the limits being acknowledged rather than disguised.

6.1 System-internal scope and system-selection responses

6.2 This paper is system-internal by design. Its analytical frame is: given the UK tax system, how should the regime work for shares in unlisted UK trading companies? The proposals — safe-harbour valuation, anti-avoidance rules, buy-back pathways, conditional-trigger frameworks — operate within the boundary of the UK system. They address responses HMRC can observe and that Parliament can legislate against. This scope is appropriate for a policy options paper; system-internal questions are the questions the paper is structured to answer.

6.3 Sophisticated holders of unlisted trading-company shares do not, however, operate at the system-internal level. They operate at the system-selection level. The relevant question for the most mobile members of the affected cohort is not "how should I plan within the UK regime?" but "which jurisdiction's regime should I sit inside?" Trust structures established years before death, holding-company restructures that move shares out of personal estate, life-insurance funding of any residual liability, residence planning that uses the TNR window strategically rather than passively, primary residence changes to jurisdictions with no inheritance tax — these are not responses to the UK regime; they are exits from it. The Companies House director-departure data (Section 3.2), the Sifted adviser-survey reporting (Section 3.3), and the OBR's own 25 per cent behavioural assumption for excluded-property-trust non-doms (Section 3.1) all point in the same direction: the most mobile and most advised members of the affected cohort are not waiting for the regime to bite before responding, and many are responding by leaving the system the analysis is designed for.

6.4 The mismatch between the analytical frame and the most consequential behavioural responses is therefore structural rather than a flaw in execution. An analysis that foregrounded system-selection responses would lead to no clear domestic fix, because system-selection responses are not legislatively addressable through the kind of measures this paper proposes. The trade-off is real: the paper's tractability comes from staying within the system; its most significant limit is that the cohort the policy is most concerned to retain operates at the system-selection level. Ministers should be warned that the proposals in this paper may work perfectly within the UK system while behaviour outside the system dominates outcomes — meaning policy could appear successful by its own measures while high-value activity quietly relocates or restructures.

6.5 Mitigation, in part. Any HMRC modelling commissioned under Option C should include explicit assumptions about pre-reform departures and the depleted-dataset problem (Section 3.5). Trigger thresholds should be re-examined when the modelling is published and recalibrated against the corrected baseline. Adviser-survey methodology should be designed by an independent academic partner. None of these mitigations addresses the system-selection

problem itself — they reduce the measurement error within the system-internal frame. The system-selection question is the subject of a separate paper from the same author, currently in preparation.

6.2 Asymmetric quantification

6.6 The friction side of the regime — SAV caseload, dispute resolution time, valuation discounts — gets specific numbers and trigger thresholds in this analysis. The outcome side — relocation, restructuring volume, capital flight, long-term reinvestment — gets qualitative treatment. This asymmetry exists because the friction data is collectable and the outcome data is not, but it is real.

6.7 The asymmetry has implications for which option officials are likely to view as administratively preferable. Option A's strongest case rests on outcome data being smaller than expected; Option B's strongest case rests on outcome data being larger than expected. The data quality gap between friction and outcome means that the empirical question can be settled definitively in neither direction. Ministers should be warned that the post-reform review (under Option A or Option C) will not produce the clean answer that policy debate expects of it.

6.3 The normative question

6.8 Whether the regime's primary purpose is revenue, fairness across asset classes, or industrial-strategy alignment is a political choice, not an empirical finding. The four scenarios above describe consequences for each of these objectives separately, but they cannot tell ministers which objective should take precedence when they conflict.

6.9 Officials' view: ministers should state the objective ranking explicitly. The IHT reform was advanced under multiple framings — fairness across asset classes, revenue, removing a non-dom-style anomaly. The framings are mutually compatible only when the empirical evidence supports them all simultaneously, which the evidence base does not. Without a stated ranking, the choice between options collapses into procedural argument about which framing applies in any particular dispute.

6.4 Risks specific to each option

Option A risks

- **Cohort retention.** If the relocation channel proves larger than the four practical measures absorb, Option A delivers less than forecast and is politically difficult to revisit having been defended publicly.
- **SAV capacity.** The dispute caseload may scale with the cohort that industrial strategy is trying to grow. Capacity expansion is feasible but lags behind growth.

Option B risks

- **Long-stop liquidity.** If the asset remains illiquid at year 10–15, the long-stop recreates the original problem. Mitigated by payment-on-realisation provision but not eliminated.

- **Equality across asset classes.** Mechanism change for one asset class is by definition unequal treatment relative to other illiquid assets brought into the IHT base by the same reform. Politically contestable; technically defensible if ministers accept the asset-class difference.
- **State as contingent quasi-LP.** Payment-on-realisation deferral effectively turns the state into a passive contingent-equity holder across hundreds and over time thousands of UK private companies (see paragraph 2.8a). This is structurally a different relationship between state and private enterprise than tax collection, with constitutional and economic-policy implications that have not been deliberated as such. The risk is that ministers adopt Option B as a tax administration choice without engaging with what they are also adopting as state economic policy.

Option C risks

- **Trigger fires under contested data.** Option A's principal concern. Mitigated by methodology safeguards (Section 2.5) but not eliminated.
- **Trigger fails to fire under supportive data.** Option B's principal concern. Mitigated by parallel legislative drafting (Step 4) but not eliminated.
- **Depleted-dataset problem.** The trigger thresholds may be calibrated against a biased baseline, as discussed in Section 3.
- **Political environment shift.** By month 12 the political room for the framework may have closed, regardless of the evidence. This is unmitigable.

Annex A — Sources and methodology

A.1 Primary sources cited in this paper

OBR (2025). Office for Budget Responsibility, Supplementary forecast information release: Costing of reforms to the non-domicile regime, 30 January 2025. Source for the 25 per cent and 12 per cent behavioural assumptions, the £33.9 billion projected revenue, and the methodology underpinning HMRC's costing of the non-dom and IHT reforms.

OBR EFO (2024) and HMRC (2025). Office for Budget Responsibility, Economic and fiscal outlook, October 2024, for the original cohort estimate underpinning the £1m-cap version of the reform. HMRC December 2025 estimates (cited in the House of Commons Library briefing on the changes to APR/BPR for inheritance tax) for the revised post-£2.5m-cap estimate of approximately 1,100 affected estates in 2026-27.

Tax Policy Associates (2025). Tax Policy Associates, Are Henley & Partners' millionaire-migration reports fabricated?, 27 July 2025 (taxpolicy.org.uk). Source for the methodology critique of the Henley & Partners migration figures.

Tax Justice Network (2025). Tax Justice Network, The millionaire exodus myth, June 2025; updates published December 2025. Independent corroboration of the Tax Policy Associates findings.

Sifted (2025). Sifted, Founders ditch UK for Dubai amid tax hike and funding shortfall, May 2025. Source for the adviser-survey reporting; cites Wilson Partners, Evelyn Partners, Founders Law, and Capital Partners by name.

Financial Times via Companies House (2025). Financial Times analysis of Companies House director-residency records, 2025. Source for the 3,790 / 2,712 / 691 / 150 director-departure figures cited in Section 3.2.

CEBR (2025). Centre for Economics and Business Research, Macroeconomic impacts of non-domiciled taxpayer departures, July 2025. Used 25 per cent OBR assumption to model fiscal-headroom impact.

Henley & Partners (2025). Henley Private Wealth Migration Report 2025, 24 June 2025. Source for the contested 16,500 millionaire-departure figure; cited only with the methodology critique.

Australian Taxation Office. ATO guidance on inherited assets and CGT (ato.gov.au). Source for the Australian rollover-at-death model in Section 4.1.

Canada Revenue Agency. CRA guidance on deemed-disposition rules (canada.ca). Source for the Canadian death-event model in Section 4.2.

OBBBA (2025). One Big Beautiful Bill Act, Public Law signed 4 July 2025. Source for the US $15m/$30m exemption from 1 January 2026 in Section 4.3.

ErbStG. Erbschaftsteuer- und Schenkungsteuergesetz §§13a and 13b. Source for the German 85 per cent / 100 per cent business-asset relief structure in Section 4.4.

CGI (France). Code général des impôts, Articles 787 B and 787 C, as amended by the Loi de Finances 2026. Source for the Pacte Dutreil regime described in Section 4.5.

A.2 On figures derived rather than cited

A.1 Several figures in this paper are derived or estimated rather than cited from a single source.

- **£2.5m / £5m allowance figures.** These are the actual statutory allowances under the Finance Act 2026 — a direct cap on 100 per cent BPR/APR at £2.5m per individual, with the allowance transferable between spouses to give a combined £5m per couple. They are not derived from aggregating sub-components.
- **8,000 to 15,000 households.** Industry estimates of the wider planning population affected by the reform; not officially published; cited as approximate.
- **Indicative cost figures in Section 2 (£1.2m, £400k, £200k).** Author's estimates based on comparable HMRC operational and legislative drafting cost benchmarks. Not derived from an HMT or HMRC source. Should be treated as illustrative.
- **Trigger thresholds in Section 2.5.** Author's calibration against international comparator data and observable UK private-company exit timings. Explicitly described as illustrative throughout.

A.3 Methodology limitations

A.2 This paper does not attempt original quantitative modelling. The author has access to no HMRC microdata, no AEOI exchange information, and no internal HMT or HMRC working papers. The analysis relies on published sources, the consistency of those sources, and the author's own structural reasoning. Where the analysis goes beyond cited sources, this is identified in the text or in this annex.

Annex B — Glossary

AEOI. Automatic Exchange of Information. International framework under which jurisdictions exchange financial-account information; principal source for HMRC data on non-doms' offshore positions.

BPR. Business Property Relief. Inheritance tax relief that, before 6 April 2026, provided 100 per cent exemption on qualifying unlisted trading-company shares without limit. After reform, 100 per cent relief applies to a combined £2.5m of qualifying APR and BPR property per individual (transferable to spouse, £5m per couple), with 50 per cent relief on the excess. The original Autumn Budget 2024 cap was £1m; this was raised to £2.5m by government announcement on 23 December 2025.

CGT. Capital Gains Tax. Tax on gains realised on the disposal of an asset. Main rate at the time of writing 24 per cent; lower rates apply to certain assets and lower-rate taxpayers.

Deemed disposition. Rule under which a person is treated as having disposed of an asset for tax purposes without an actual sale having occurred. Used in Canadian estate law and in Option B's long-stop.

DLOM. Discount for Lack of Marketability. Valuation adjustment applied to unlisted shares to reflect the reduced liquidity relative to publicly-traded equivalents.

EIS. Enterprise Investment Scheme. UK tax incentive scheme for investment in qualifying smaller higher-risk trading companies.

Erbschaftsteuer. German inheritance tax. Recipient-taxed; conditional business-asset reliefs under §§13a and 13b ErbStG.

EPT. Excluded Property Trust. Trust structure historically used by non-domiciled UK residents to hold non-UK assets outside the scope of UK inheritance tax.

FIG. Foreign Income and Gains. Income and capital gains arising outside the UK; subject to specific rules for non-doms before 6 April 2025 and the four-year FIG regime thereafter.

HMT. His Majesty's Treasury. The UK government department responsible for fiscal policy.

HMRC. His Majesty's Revenue and Customs. The UK tax authority.

IHT. Inheritance Tax. UK tax on the transfer of wealth at or shortly before death.

LP interest. Limited Partner interest. The economic interest of an investor in a venture capital, private equity, or other closed-ended investment fund.

OBR. Office for Budget Responsibility. The UK's independent fiscal watchdog; scrutinises and certifies the Government's policy costings.

Pacte Dutreil. French tax regime providing 75 per cent exemption from transfer taxes on qualifying family-business shares; conditions in Articles 787 B and 787 C of the Code général des impôts.

SAV. Shares and Assets Valuation. HMRC team responsible for valuing unlisted shares and other unquoted assets for tax purposes.

TNR. Temporary Non-Residence. UK tax rule under which individuals who become non-resident for a defined period and then return remain liable for certain tax events that occurred during their absence.

Annex C — A note on this paper's status

This paper is not what it looks like.

It is a citizen-produced policy options paper, written by Doug Scott working with AI tools as builders, and modelled on the format that HM Treasury uses for internal policy options papers shared with ministers.

It is not an HM Treasury or HMRC publication. It carries no Crown copyright, no HMT or HMRC reference number, no official imprimatur. The paper was not commissioned by, reviewed by, or endorsed by any UK government department or official. The content of the paper is the author's own analysis.

The paper uses Treasury format because the content fits that format more naturally than it fits a long-form essay. A reader who works in tax policy will find the structure familiar and the conventions transparent. A reader who does not will find that the format disciplines the analysis usefully — every option is presented with arguments for and against, every estimate is identified as estimate or citation, every claim is sourced or marked as the author's own.

Format chosen for clarity. Substance owned by the author. Disclosed throughout.

Why this matters

C.1 The format of policy papers carries weight. A document that looks Treasury-shaped is read as Treasury-authoritative even when it is not — that is true for casual readers, journalists, AI systems summarising the document, and search-engine snippets. The author has therefore chosen to mark the document's status in three places:

- On the cover page, in a coloured warning bar at the top, in language that cannot be reasonably misread.
- In the front matter ("About this paper"), with explicit statements about authorship and AI methodology.
- In this annex, at the back, where any reader who reaches the end will encounter the disclosure one further time.

C.2 The author's view is that citizen policy papers in government format are a legitimate form of analysis and advocacy, with a long history in UK public-policy debate (notable historical examples include the Mais lectures, the Resolution Foundation's distributional papers, and the Institute for Fiscal Studies' Green Budget). They are useful precisely because they discipline the writer to state the case in the form a government would have to state it. They are dangerous only when their status is concealed. This paper attempts to use the format honestly.

On revisions to this paper

C.3 This paper is a translation, into HMT policy-paper format, of an article published on The Longer Look on the same date. The article carries a postscript explaining that an earlier version of the article was rewritten in response to a substantive critique — the earlier version presented one framework as a recommendation; the revised version presents the same content as one possible response among several, in conditional-analysis register. This paper inherits the analytical substance of the revised article, and in places sharpens it where the policy-paper format requires more precision (notably in Section 2's indicative cost ranges and Section 6's risk-by-option treatment).

C.4 The HMT format does not naturally accommodate a postscript-style acknowledgement of revision. This note is the equivalent. A reader who wants the publication's full account of how the analysis evolved — including the specific reader critique that prompted the rewrite, and what the author thought the critic was right and wrong about — should read the article and its postscript. A subsequent reader critique, after the policy paper was first published, prompted the addition of the system-internal scope acknowledgement now reflected in Section 6.1 of this paper. Both critiques are credited in the article. The author's view is that visible revision in response to substantive critique strengthens rather than weakens the analysis, and that concealing the revision history would be a small dishonesty.

Author

Doug Scott. Founder and ex-CEO of Redbrain.com. The effects of this reform do affect the author and his family directly. He is trying to be impartial to the best of his abilities. The author's other published work appears at thelongerlook.com, ifthisroad.com, orphans.ai, theheld.ai, themanybuilders.com, thebearwasright.com, and thebearloved.com.

Method

This paper was written by Doug Scott working with four AI tools as builders — Claude (Anthropic), ChatGPT (OpenAI), Grok (xAI) and Gemini (Google) — across multiple parallel sessions. Each tool drafted text, modelled numbers, structured arguments, found evidence, and stress-tested the case from positions the author asked it to take. The substantive judgments are the author's. The writing is collaborative.

Licence

— end of paper —