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Email: TradePolicy@daera-ni.gov.uk
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Dear Sir/Madam

DAERA ANALYSIS OF POTENTIAL IMPACT OF INHERITANCE TAX CHANGES ON NI FARMS

DAERA officials have undertaken analysis on the potential impact of inheritance tax changes on Northern Ireland farms in light of announcements made by UK Government in late 2025. This is in addition to the analysis carried out and deposited in the Assembly Library in December 2024.

Minister Muir has requested that a copy of the latest analysis be deposited in the Assembly Library.

Grateful if you can progress.

Yours sincerely

Mark McLean

Mark McLean
Acting Chief Economist, Department of Agriculture, Environment and Rural Affairs

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DAERA ASSESSMENT OF THE IMPACT OF THE INHERITANCE TAX CHANGES ANNOUNCED IN DECEMBER 2025 ON THE NORTHERN IRELAND AGRICULTURAL SECTOR

BACKGROUND

1. On 23rd December 2025, the UK Government announced that the threshold for Agricultural Property Relief (APR) and Business Property Relief (BPR) combined at a rate of 100% will be increased from £1 million to £2.5 million before the policy change comes into effect on 6 April 2026.
2. In November 2025 as part of the Autumn Budget, UK Government also announced that the APR and BPR thresholds will be transferrable between spouses.

ANALYSIS METHODOLOGY

3. In October 2024, DAERA undertook analysis to ascertain the impact of the initial inheritance tax changes on Northern Ireland (NI) farms. This analysis was originally based on agricultural land value only and estimated that one third of farms would be impacted by the change, equating to 60% of total land farmed.
4. In December 2024, the analysis was updated to include farm buildings and residential property, (constituting as agricultural property), as well as machinery and livestock (constituting as business property). This approach estimated that half of all farms would be impacted equating to 80% of total land farmed.
5. In light of the UK Government's confirmation that the combined APR/BPR threshold for 100% relief is to increase from £1 million to £2.5 million, and that the relief allowances will be transferable between spouses, DAERA has conducted additional analysis in December 2025 on the impact of the inheritance tax policy on farms in NI.
6. The new analysis uses the same assumptions as the original analysis carried out by DAERA in December 2024 (*i.e. a value of £21,000/acre accounting for land value, farm buildings, residential property and working capital on farm*).

FINDINGS OF THE ANALYSIS

7. It is estimated that farms of 48+ hectares would have agricultural and business property exceeding £2.5 million and therefore will still be potentially impacted by the inheritance tax policy.
8. Based on Agricultural Census 2025 figures, it is anticipated that a total of 4,517 farms or 17.5% of total NI farms could be impacted. These farms equate to around 48.8% of total area farmed.
9. When considering farms of 48+ hectares by 'farm type' Census data indicates that cattle and sheep farms account for 63% of the 4,517 impacted farms while dairy farms account for 25%.

10. Furthermore, considering those impacted farms as a proportion of total farms in their given sub-sectors, the data indicates that 45% of all dairy farms (or 72% of all land owned and farmed for dairy purposes) will still be impacted by the new inheritance tax relief threshold, while 14% of all cattle and sheep farms remain impacted (or 51% of all LFA land owned and farmed for cattle and sheep purposes and 45% of lowland). As these are the larger farms, they account for a significant proportion of agricultural output. These farms represent around 48.8% of the total land farmed, 33.7% of beef cows, 61.5% of dairy cows, 46.6% of total cattle and 41.5% of sheep.
11. The analysis has also considered that there will be circumstances that allow for the threshold to be transferred to a spouse or civil partner. In such a scenario, the APR and BPR combined allowance will increase to £5 million, meaning couples could pass on to inheriting individuals up to £5 million in qualifying assets tax-free, in addition to other IHT allowances.
12. A £5 million allowance threshold would reduce the number of impacted farms in NI to 1,247 farms which is 4.8% of total NI farms (farms of 96+ hectares). Impacted farms can be disaggregated as 55% belonging to cattle and sheep LFA farms, 23% to dairy farms and 9% to cattle and sheep lowland farms. These farms account for around 23% of total land farmed, 12.3% of beef cows, 22.9% of dairy cows, 17.5% of total cattle and 20.9% of sheep.
13. Those sub-sectors most impacted as a proportion of total farms in their given sub-sectors remain the same, with Census data indicating that 11.5% of all dairy farms would be impacted by the £5 million inheritance tax relief threshold, while 4.6% of all cattle and sheep LFA farms and 2.3% of all cattle and sheep lowland farms remain affected.
14. It should be noted that not every farm will be able to avail of the £5 million threshold. According to the 2016 EU Farm Structure Survey¹, 30% of farmers in Northern Ireland had no spouse and for larger farms (which will be those impacted by inheritance tax), 17% of farmers had no spouse.
15. The data on spouses relates to a specific moment in time and the percentage of farmers at the date of death without a spouse is likely to be lower. Furthermore, some farms where the farmer dies without a spouse and without direct descendants will be sold or rented out after death rather than being continued as a working farm by other relatives. While it is impossible to be precise, the information that is available would suggest that the number of farms impacted by the revised inheritance tax threshold of £2.5 million and will be unable to avail of the £5 million threshold and where they will continue as a working farm by relatives of the deceased, will be relatively small.
16. Of the 1,247 farms, where their land area according to the NI average would indicate agricultural and business property values exceeding £5 million, 685 are cattle and sheep LFA farms. These farms will have significant amounts of

¹ [Farm Structure Survey for 2016](#)

mountain land and rough grazing where land values and capital values on farm will be well below the NI average. Therefore, it could be expected that a high proportion of these cattle and sheep farms will be below the £5 million threshold. However, there will be highly intensive farms, particularly in the dairy sector, pig, poultry and general cropping sectors which will have high land and other capital values. These farms, are likely to exceed the £5 million threshold despite having owned land of less than 96 hectares.

17. Taking everything into account, (farmers without spouses, mountain land/rough grazing, intensive farms), it would be reasonable to estimate that around 5% of NI farms would have agricultural and business property values above the available threshold (£5 million in most cases).
18. However, if land prices continue to rise in Northern Ireland, a growing proportion of farms could become liable for inheritance tax over time. This impact may intensify further as inheritance tax thresholds remain frozen until April 2031. Consequently, the number of affected farms could increase significantly unless land prices stabilise or the UK Government revisits its decision on freezing inheritance tax thresholds.
19. It must be stressed that all the information above in relation to tax is in general terms only and there can be other conditions applying to various reliefs etc. that mean they do not apply in specific circumstances. Furthermore, transferring land and other assets may generate other tax liabilities, particularly Capital Gains Tax although reliefs may be available. It is therefore vital that anyone seeking to minimise tax liability obtains advice from a professional tax advisor so that individual circumstances are taken into account.

DISAGGREGATED ANALYSIS OF AFFECTED FARMS

The table below provides an analysis of those farms which own 48 hectares or more of agricultural land and therefore has a value exceeding the £2.5 million threshold when valued at an average of £21,000/acre. (Source: 2025 NI Agricultural Census)

| | Farms Owning 48ha+ | NI Total | % of farms owning 48ha+ |
|-------------------------------|-----------------------|------------------|----------------------------|
| Very Small Farms | 1,927 | 20,461 | 9.4% |
| Small Farms | 948 | 2,448 | 38.7% |
| Medium Farms | 519 | 1,175 | 44.2% |
| Large Farms | 1,123 | 1,750 | 64.2% |
| Total Farms | 4,517 | 25,834 | 17.5% |
| Owned Land | 432,293 | 797,793 | 54.2% |
| Total Area Farmed (ha) | 503,674 | 1,032,296 | 48.8% |
| Dairy Cows | 203,367 | 330,673 | 61.5% |
| Beef Cows | 71,958 | 213,744 | 33.7% |
| All Other Cattle | 491,915 | 1,102,839 | 44.6% |
| Total Cattle | 767,240 | 1,647,256 | 46.6% |
| Ewes | 362,220 | 864,522 | 41.9% |
| All other Sheep | 393,187 | 954,864 | 41.2% |
| Total Sheep | 755,407 | 1,819,386 | 41.5% |
| Pigs | 481,172 | 744,858 | 64.6% |
| Poultry | 7,349,766 | 25,785,289 | 28.5% |
| Cereals (ha) | 18,313 | 30,170 | 60.7% |
| Other field crops (ha) | 8,927 | 14,216 | 62.8% |
| Horticultural crops (ha) | 496 | 2,192 | 22.6% |
| Agricultural Labour Force | 12,947 | 51,868 | 25% |

| Farm Type | Farms owning 48ha+ | NI Total | % of Farms owning 48ha+ |
|------------------------|--------------------|---------------|-------------------------|
| Cereals | 74 | 254 | 29.1% |
| General Cropping | 127 | 1437 | 8.8% |
| Horticulture | * | 185 | * |
| Pigs | 26 | 141 | 18.4% |
| Poultry | 126 | 678 | 18.6% |
| Dairy | 1,136 | 2,511 | 45.2% |
| Cattle & Sheep LFA | 2,294 | 14,932 | 15.4% |
| Cattle & Sheep Lowland | 556 | 5,099 | 10.9% |
| Mixed | 158 | 532 | 26.5% |
| Other | * | 65 | * |
| Total | 4,517 | 25,834 | 17.5% |

***Figures not disclosed under rules of statistical suppression.**

The table below provides an analysis of those farms which own 96 hectares or more of agricultural land and therefore has a value exceeding the £5 million threshold when valued at an average of £21,000/acre. (Source: 2025 NI Agricultural Census)

| | Farms Owning 96ha+ | NI Total | % of farms owning 96ha+ |
|-------------------------------|-------------------------------|------------------|------------------------------------|
| Very Small Farms | 335 | 20,461 | 1.6% |
| Small Farms | 301 | 2,448 | 12.3% |
| Medium Farms | 174 | 1,175 | 14.8% |
| Large Farms | 437 | 1,750 | 25.0% |
| Total Farms | 1,247 | 25,834 | 4.8% |
| Owned Land | 219,761 | 797,793 | 27.5% |
| Total Area Farmed (ha) | 236,948 | 1,032,296 | 23.0% |
| Dairy Cows | 75,834 | 330,673 | 22.9% |
| Beef Cows | 26,375 | 213,744 | 12.3% |
| All Other Cattle | 186,811 | 1,102,839 | 16.9% |
| Total Cattle | 289,020 | 1,647,256 | 17.5% |
| Ewes | 185,496 | 864,522 | 21.5% |
| All other Sheep | 194,209 | 954,864 | 20.3% |
| Total Sheep | 379,705 | 1,819,386 | 20.9% |
| Pigs | 398,238 | 744,858 | 53.5% |
| Poultry | 2,083,343 | 25,785,289 | 8.1% |
| Cereals (ha) | 8,812 | 30,170 | 29.2% |
| Other field crops (ha) | 4,272 | 14,216 | 30.1% |
| Horticultural crops (ha) | 238 | 2,192 | 10.9% |
| Agricultural Labour Force | 4,329 | 51,868 | 8.3% |

| Farm Type | Farms owning 96ha+ | NI Total | % of Farms owning 96ha+ |
|------------------------|--------------------|---------------|-------------------------|
| Cereals | 29 | 254 | 11.4% |
| General Cropping | 33 | 1437 | 2.3% |
| Horticulture | * | 185 | * |
| Pigs | * | 141 | * |
| Poultry | 32 | 678 | 4.7% |
| Dairy | 288 | 2,511 | 11.5% |
| Cattle & Sheep LFA | 685 | 14,932 | 4.6% |
| Cattle & Sheep Lowland | 116 | 5,099 | 2.3% |
| Mixed | 52 | 532 | 8.7% |
| Other | 0 | 65 | 0 |
| Total | 1,247 | 25,834 | 4.8% |

***Figures not disclosed under rules of statistical suppression.**

NB. The figures for some enterprises, particularly horticultural crops, pigs, and poultry should be treated with caution as non- land assets of the farm will have a greater bearing on the total value of farm assets in these cases.

**Policy, Economics and Statistics Division
Department of Agriculture, Environment and Rural Affairs
January 2026**