THE LONGER LOOK

· ARTICLE ONE ·

# Inheritance Tax and the Companies the Country Says It Wants More Of

*What is being argued, what the disagreement turns on, and what different evidence would mean.*

By Doug Scott

*30 April 2026*

*thelongerlook.com*

EDITORIAL · FROM THE PUBLISHER

## About this work

Doug Scott is not a lawyer or an accountant. He is a founder. A friend shared a policy document about the April 2026 inheritance tax reform with him, and he decided to see what AI tools could do with it. He prompted four AI tools — Claude, ChatGPT, Grok, Gemini — across multiple parallel sessions with simple continuation-style cues, and answered when the tools prompted back. The AI tools produced the writing, the analysis, the citations, and the cross-critique. Doug scanned the output and decided to ship. No human expert reviewed any of this work before publication. The instructions he gave were simple ones, repeated across the work: *be factual, be truth-seeking, do not flinch from where the evidence leads.* The goal he set was that all of the information should be in the public domain and every argument tested, so that a government — and the citizens it serves — can make the decision in the long-term benefit of the country. This article is the principal output.

**What this is and is not.** It is the product of a non-specialist, working with AI tools, on a question the author cares about. It is not a legal opinion. It is not financial advice. It is not an HMRC, HMT, or Treasury document. The author was born in the UK, lived overseas, and came back. His companies have always been UK-owned, UK-operated, UK-tax-paying. He adapted his own position when the BPR reform was announced; many in his cohort did not. The outcome has minimal effect on him personally now. He has been raising the question with government for some time; the publication is what AI tools made it possible for him to express. Readers should weigh the analysis with that knowledge.

**What the work tries to do.** Get more information into the public conversation than is currently there, with every assumption visible and every argument engaged with on its strongest terms. If parts of the analysis are wrong, the author would rather be corrected by readers who know more than he does than carry the errors forward. 

## Scope and the author's position

ON HOW THIS PIECE WAS MADE

**This piece was produced by Doug Scott prompting four AI tools.** Doug prompted four large-language-model AI systems — Claude (Anthropic), ChatGPT (OpenAI), Grok (xAI) and Gemini (Google) — across multiple parallel sessions, with each tool asked to draft text, model numbers, structure arguments, find evidence, and stress-test the case from positions Doug asked. He answered when the tools

prompted back, scanned the output, and decided what to include. No human expert reviewed any of this work before publication.

This piece was produced by Doug Scott prompting four AI tools, and answering when the tools prompted back. The AI tools produced the writing, the analysis, the citations, and the cross-critique. Doug scanned the output and decided to ship. No human expert reviewed this work before publication. The Longer Look will be transparent about authorship and AI involvement on every piece it publishes.

## SCOPE

**This piece is about UK tech.** Specifically: the cohort of founders, angels, venture capital, growth equity, EIS and SEIS investors, the LPs who fund UK venture funds, and the early employees with vested equity at unlisted UK tech-trading companies. The cohort the country has said publicly, across multiple administrations and industrial-strategy documents, that it wants to grow more of. The reform also affects agriculture and other family-business cohorts. Those are real questions handled in other documents. This paper is about UK tech, and the specific interaction between the reformed inheritance tax mechanism and the equity held by the people driving the new economy.

## ON THE AUTHOR'S POSITION

**The effects of this reform do affect the author and his family directly.** He was born in the UK, lived overseas, and came back. His companies have always been UK-owned, UK-operated, UK-tax-paying. He adapted his own position when the BPR reform was announced; many in his cohort did not. The outcome has minimal effect on him personally now. He has been raising the question with government for some time; the publication is what AI tools made it possible for him to express, at the depth and structure the question required, about what he was watching happen across his peer group. The piece sets out the question, the open evidence, and what different empirical outcomes would imply — without arguing for one direction over the others. Readers should weigh the analysis with that knowledge.

## Summary

The reformed inheritance tax regime that took effect in April 2026 brings unlisted UK tech-trading-company shares — held by founders, angels, EIS investors, venture LPs, growth-equity partners, and early employees with vested equity — into the inheritance tax base above a £2.5 million per-person allowance and £5 million combined allowance for couples. The reform is contested in a way most reform debates are not: not over whether the change should have happened, but over whether the mechanism the reform uses is operationally fit for the asset class it now applies to — the equity the country says it wants more of.

Three serious positions have been advanced by knowledgeable people in good faith. **Position A** holds that the existing mechanism is correct in principle and that operational issues should be resolved through four practical measures within the existing regime. **Position B** holds that the death-event valuation mechanism is mismatched to illiquid private-company shares and should be replaced for that asset class with a Capital Gains Tax charge on actual realisation by the heir. **Position C** holds that the four practical measures should be adopted now and the mechanism question deferred until the evidence on relocation, dispute caseload, and receipt outcomes can be assessed.

This piece does not argue that any of these positions is correct. It sets out what each is, what they share, what their differences turn on, what comparable jurisdictions actually do, and — most importantly — what different empirical outcomes from HMRC modelling and observed receipts data would imply for which position the evidence ultimately supports.

One framework — Position C with hard triggers toward Position B — is described in detail in Section 3 as a possible response to the current uncertainty. It is not the recommendation of this article. It is one workable design for acting under uncertainty, included so readers can see how a conditional commitment could be operationalised. Other designs are equally legitimate.

# 1. What is Actually in Dispute

The public debate over the IHT reform reads as a clash between irreconcilable positions: on one side, founder representatives arguing the reform will drive talent abroad and damage the UK's growth prospects; on the other, defenders of the reform arguing that any softening would be capitulation to the wealthy. Both framings overstate the disagreement.

Three serious positions have been advanced, and they agree on more than they disagree on. All three accept that the principle of the reform is correct. All three accept the £2.5m / £5m allowance structure. All three support adopting four practical measures: a collateral-trigger rule to close the buy-borrow-die avoidance vector; a statutory safe-harbour valuation methodology to reduce SAV dispute volume; targeted tightening of temporary non-residence rules to capture relocation; and practical guidance on structured buy-backs under existing instalment provisions for the cohort where they work. These four measures are common ground.

**One scope note.** This piece assumes the principle of the reform — that very large illiquid private holdings should be brought into the inheritance tax base above an allowance. It does not defend that assumption. A reader who thinks the reform itself was wrong in principle will find the analysis here operating one level too deep: the disagreement between Positions A, B, and C is a disagreement among people who already accept that the reform should have happened. The publication may return to the principle question separately. The current piece takes it as given.

The disagreement is narrower. It is about whether those four measures are sufficient on their own — Position A's view — or whether they need to accompany a change to the underlying mechanism for one specific asset class — Position B's view — or whether the mechanism question should be deferred pending further evidence — Position C's view.

## The three positions, on their proponents' best terms

**Position A — Hold the existing mechanism.** Maintain IHT-at-death as the taxable event for unlisted trading-company shares. Adopt the four practical measures. Resource SAV adequately to handle the dispute caseload. The principle of the reform — that very large illiquid private holdings should be brought into the inheritance tax base — was correct, and is delivered most cleanly by a regime that taxes wealth at the point of generational transfer. The cohort directly affected is small: HMRC's December 2025 estimate is approximately 1,100 estates affected by the whole APR/BPR reform in 2026-27, of which around 185 include an APR claim, leaving around 915 BPR-only estates (the unlisted-trading-company-share subset on which

the operational mechanism question primarily turns is in the low hundreds within that). Operational issues exist but are tractable. Mechanism change for one asset class would be a special carve-out for the wealthiest holders and would weaken the principle the reform is meant to embody.

*The strongest form of Position A goes further than the technocratic version above.* The operational-mismatch argument is the same argument that advocates of every tax targeting the wealthy have always made about every tax that affects them. Every tax produces friction. Every tax produces valuation disputes. Every tax produces behavioural responses among the wealthy and the well-advised. The argument that this particular tax is uniquely unfit for this particular asset class — that the affected cohort's behavioural response will be uniquely large, that the regime will fail uniquely badly, that the historical precedents do not apply this time — is what advocates of every tax targeting the wealthy have always argued: that their situation is special, their assets uniquely illiquid, their behavioural response uniquely consequential. 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 form, on its strongest terms, is: this is that argument again, advanced by the people who advance it whenever a tax that affects them is enacted, and we should treat it the way we have always treated it — with measured scepticism, while still adopting genuinely sensible operational improvements, but without conceding the substance of the case for mechanism change.

**Position B — Switch the mechanism to CGT on realisation.** Replace IHT-at-death with Capital Gains Tax charged on actual proceeds when the heir realises the asset, with no base-cost uplift on death. Combine with a long-stop deemed-disposal rule and a collateral-trigger rule. The death-event mechanism produces problems no first-principles design would generate: a growing dispute caseload at SAV that cannot scale to industrial-strategy growth assumptions; behavioural pressure on the affected cohort that leaks revenue through pre-death relocation; and an avoidance vector through collateralised borrowing that the existing regime does not close. The proposed mechanism collects the same principle against optimised exit values rather than contested death-date values, with lower administrative cost. Australia has operated a comparable rollover-to-realisation regime for forty years.

**Position C — Hybrid: practical fixes only, mechanism question deferred.** Adopt the four practical measures. Defer any mechanism change pending evidence on the size of the operational issues over the following two to three years. The four measures are independently valuable and unobjectionable — they would be adopted under any of the three positions. Mechanism change carries political risk and design

risk that the practical measures do not. The posture commits Treasury to data-driven review rather than to a specific outcome that prejudges the empirical questions.

# 1.5. A Note on Timing

The behavioural response to the announced reforms began before the reforms took effect. This is observable in the published evidence, and any analysis or framework that treats April 2026 as the start of the response — including the trigger criteria proposed in Section 3 — is calibrated against the wrong baseline.

## The official UK government assumption

The Office for Budget Responsibility's January 2025 supplementary forecast on the non-dom reform sets out the official behavioural assumption underpinning the £33.9 billion the reforms are projected to raise: the OBR expects approximately 25 per cent of non-doms with excluded property trusts (the wealthiest cohort, most directly comparable to the population the IHT reform also affects) to leave the UK as a result of the reform, alongside 12 per cent of other non-doms. These are not lobby figures. They are the central behavioural assumptions in the official UK government costing.

## Companies House evidence on directors leaving

Financial Times analysis of Companies House records, published in 2025, recorded 3,790 UK company directors moving their primary residence abroad between October 2024 and July 2025 — a 40 per cent increase on the 2,712 who moved in the same period a year earlier. April 2025 alone saw 691 director departures, 79 per cent above April 2024 and 104 per cent above April 2023. Approximately 150 UK-based directors moved specifically to the UAE between April and June 2025.

## Sector and size profile of the named cases

Sector and size data are partial. The departures that are individually reportable and have been verified by name include several at the top of the UK technology cohort. Nik Storonsky, founder of Revolut, has registered UAE residency. Herman Narula, co-founder of Improbable (a company last externally valued in 2022 at approximately $3.4bn), has been reported as preparing to emigrate to the UAE; the trigger he has cited publicly is a mooted exit-tax rather than the BPR reform specifically, and he has been quoted saying he does not want to leave. A number of named non-tech billionaires have also been reported as having relocated. Trade-press reporting from Sifted (May 2025) cites four UK tax-advisory firms — Wilson Partners, Evelyn Partners, Founders Law, and Capital Partners — confirming 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.

## On the contested figures

The widely-cited Henley & Partners projection of 16,500 UK millionaire departures in 2025 should be cited with caution. Tax Policy Associates published a detailed forensic critique in July 2025 — examining methodology changes, statistical anomalies in the data, and contradictions with official UK figures — and concluded that the Henley reports should be treated as marketing material rather than evidence. Tax Justice Network reached similar conclusions independently. Position A's defenders are right to be sceptical of the headline 16,500 figure. The narrower, harder-data findings — the OBR's own 25 per cent assumption, the Companies House director-departure trend, and the named tech-founder cases — are not similarly contested.

## What this means for the rest of the article

The framework in Section 3 commissions HMRC modelling on the relocation channel; the four scenarios in Section 5 describe what that modelling could show. Both treat the data as forward-looking. The honest reading is that significant pre-positioning has already occurred. The trigger thresholds in Section 3 — even taken as illustrative — are calibrated against a population that has already partly responded to the announced reform. So is any modelling HMRC will subsequently produce. The early-mover cohort has already, at least in part, exited the dataset. This means measured behavioural response will understate the true response, possibly by a wide margin. Any framework that does not engage with this — including the one in Section 3 — is incomplete in a way that matters for the policy choice.

# 2. What the Disagreement Actually Turns On

The three positions cannot all be right. They rest on differing answers to a small number of questions. If those questions could be answered with rigour, the disagreement would resolve. The questions are partly empirical and partly normative, and they have not been answered with rigour.

**QUESTION 1**

### How large is the relocation channel under the existing mechanism?

If the proportion of the affected cohort that relocates pre-death is small, Position A's revenue forecast is robust and the mechanism issue is overstated. If the proportion is large, the existing mechanism leaks materially and the case for change strengthens. The question is empirical and answerable through dynamic behavioural modelling using HMRC data. It has not been answered with rigour.

**QUESTION 2**

### How quickly does SAV dispute caseload grow as the cohort grows?

If the caseload scales linearly with affected estates and SAV can be resourced to keep pace, the operational problem is solvable through capacity expansion. If the caseload scales superlinearly, resourcing alone cannot keep pace. The question depends partly on the rate of cohort growth — which Government industrial strategy is actively trying to accelerate — and partly on whether disputes resolve faster or slower as the safe-harbour methodology beds in.

**QUESTION 3**

### How effective is the collateral-trigger rule against sophisticated structuring?

If the rule cleanly captures economic realisation through borrowing, the buy-borrow-die vector is closed under any of the three positions. If sophisticated advisers can route around the rule through structures the legislation does not capture, the rule's effectiveness is overstated. The question is technical and depends on drafting quality.

**QUESTION 4**

### Can a 10- or 15-year long-stop deemed disposal be administered without recreating the original problem?

Position B's long-stop assumes a deemed disposal at year 10 or 15 produces an administrable computation against an observable value. 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. The honest reading: the long-stop is

structurally weaker than its proponents acknowledge, but closer to acceptable when paired with a payment-on-realisation provision.

There is a further structural feature of Option B that the public debate has not engaged with and that Position A's defenders should be making more of. Under payment-on-realisation deferral, the state holds an unfunded contingent claim against private company equity for potentially decades. Functionally, this gives the state economic exposure to the company's outcomes without governance rights — upside participation through eventual CGT collection if the company succeeds, total loss if it fails. Across the affected cohort over time, the state ends up holding contingent quasi-equity exposure across hundreds and eventually thousands of UK private companies, selected by the non-random criterion of which founders or significant shareholders died holding them. This is structurally a different relationship between state and private business than tax collection. Whether it is desirable (alignment of state incentives with company success) or undesirable (a meaningful expansion of state economic interest in private business without the deliberation, statutory framework, or governance structure that would normally accompany state equity holdings) is a question the public debate has not asked, because the framing has been "tax administration choice" rather than "implicit state acquisition of contingent equity exposure." A serious decision on Option B requires this question to be asked, and the question is not contained within the tax-policy frame in which Option B has so far been advanced.

QUESTION 5

### What is the regime for?

This is the question that cannot be settled by modelling. If the primary purpose of the reform is revenue, the position that maximises receipts net of leakage and administrative cost wins. If the primary purpose is fairness across asset classes — that all wealth above the allowance is taxed at the point of generational transfer regardless of liquidity — Position A is uniquely consistent. If the primary purpose is to support industrial strategy by retaining the cohort that builds growth-stage UK companies, Position B is most consistent. The question is normative, the answer depends on which objective is treated as primary when they conflict, and ministers — not analysts — should answer it.

*Reasonable, informed, good-faith readers reach different conclusions on these five questions. The disagreement between the three positions is largely a disagreement about how the questions should be answered, weighted, and*

*prioritised. A reader who reaches a clear view on the questions will, by implication, reach a clear view on the policy.*

# 3. One Possible Framework for Acting Under Uncertainty

**NOT A RECOMMENDATION**

This section describes one framework — Position C with hard triggers toward Position B — that some commentators have proposed as a way of acting under the current uncertainty. It is set out here so readers can see how a conditional commitment could be operationalised, not as a recommendation. Other designs are equally legitimate; some are noted at the end of the section.

**Before the framework: one structural observation.** The first step below — adopting the four practical measures — is common ground. Position A endorses these measures because they address the genuine operational issues without changing the underlying mechanism. Position B endorses them because they are sensible regardless of which mechanism eventually applies. Position C endorses them as the foundation on which any subsequent decision would build. The four practical measures are not the contested choice; they are decisions that should be made now, on grounds none of the three positions disputes, separate from the harder question of whether mechanism change is needed. Treating them as conditional on resolving the A-versus-B question delays improvements that all three positions accept.

The framework's core move is to commit to the four practical measures immediately, commission HMRC modelling that would answer the open empirical questions, and pre-commit to a mechanism switch if defined evidence thresholds are breached at a published review point. The thresholds make the trigger operational rather than rhetorical.

## Step 1. Adopt the four practical measures within ninety days

- **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.
- **Statutory SAV safe-harbour methodology.** HMRC publishes a statutory valuation methodology covering preference-stack treatment, minority discount ranges, 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.
- **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. Works for cash-generative private companies; does not work for early-stage venture-backed holdings or LP interests in closed-ended funds.

## Step 2. Commission HMRC dynamic modelling within thirty days

HMRC's behavioural team is asked to produce dynamic forecasts on three specific questions: the relocation elasticity of the affected cohort, segmented by company stage and holder age; the projected SAV caseload over a five- to ten-year horizon; and the realistic distribution of realisation events that would crystallise CGT under a Position B mechanism.

## Step 3. Set a twelve-month formal review with calibrated triggers

If any two trigger criteria breach defined thresholds, the mechanism switch (Position B legislation drafted under Step 4) takes effect at the next available Finance Bill.

| Trigger criterion | Threshold |
|---|---|
| **1. Relocation evidence** | Documented departures by primary residence change among the affected cohort exceed 60 in the 12-month review window. |
| **2. SAV dispute caseload** | Pending SAV caseload exceeds 350 active files, with average resolution time above 24 months. |
| **3. Receipts underperformance** | Audited BPR-only estate IHT receipts fall more than 20 per cent below Budget forecast in the first full operational year. |
| **4. Adviser-survey evidence** | More than 35 per cent of advised affected estates report active relocation planning underway in a structured anonymous survey. |
| **5. Valuation discounts** | Settled SAV cases show average final-assessed value |

| Trigger criterion | Threshold |
|---|---|
| | at less than 65 per cent of opening assessment. |

**These thresholds are illustrative.** They describe the kind of trigger framework Option C would require, not operational figures that ministers should adopt as drafted. The author has no access to HMRC microdata, AEOI exchange information, or internal HMRC behavioural modelling, and robust calibration of trigger thresholds requires those inputs. Honest framing requires this admission. Furthermore, the December 2025 HMRC revision of the affected-estate count from approximately 220 (the figure underpinning the original Autumn Budget 2024 cohort estimate) to approximately 1,100 (covering the whole APR/BPR reform after the £2.5m cap was finalised) means that even the rough percentage-of-cohort logic these thresholds embodied needs recalibration. The "60 departures" threshold, calibrated against a 220-estate cohort, would correspond to nearly 300 departures against the wider 1,100-estate cohort if the percentage logic were preserved — a much harder bar to clear. The honest reading is that the thresholds presented here cannot be operationalised without HMRC working from internal data, and the framework's value is in showing what kind of trigger structure would be needed, not in supplying the numbers a government could act on directly.

## Step 4. Draft the alternative legislation in parallel

Treasury legal drafts the realisation-based legislation alongside the Step 1 measures, so that if the trigger fires the legislation is ready for the next Finance Bill rather than commissioned at that point. Without this step the trigger is effectively two years rather than twelve months from review to implementation.

## Other designs are equally legitimate

Position A's defenders would argue, with force, that no trigger is needed: the four measures should be adopted, the regime should run for two to three years, and the question should be revisited only if observed data subsequently demands it. Position B's defenders would argue, with equal force, that the mechanism switch should happen now, on the available evidence, without waiting for confirmation that may arrive too late to retain the cohort. Each design is internally coherent. Each has consequences explored in Section 5.

# 4. International Comparators

The UK's chosen combination — a £2.5m / £5m allowance, 50 per cent relief above, death-event valuation, no business-specific conditional relief above the threshold, no realisation route — is distinctive in international terms. This section sets out what comparable jurisdictions actually do. It is not an argument that the UK should copy any of them. It is a check on the implicit claim that the UK's approach is the natural or default treatment.

*Inclusion principle.* The comparator set covers G7 economies plus Australia, plus jurisdictions frequently cited in UK debate as relocation destinations (Switzerland, UAE), plus South Korea (frequently cited in tax-policy practice as a stricter regime). It is intended to span the spectrum of approaches — no inheritance tax, deemed-disposition, high-exemption, conditional-relief, strict death-event — rather than to support a particular conclusion.

## Australia · No inheritance tax; CGT rollover at death

Australia does not levy an inheritance tax. When an Australian resident dies, capital gains tax is not triggered at the point of death. Instead, the heir inherits the deceased's cost base, and CGT crystallises only when the heir later disposes of the asset. This is the closest international precedent for what Position B proposes. The Australian regime has been operating for forty years. What the comparison does not show: Australia raises substantially less from intergenerational wealth transfer than the UK does.

## Canada · No inheritance tax, but deemed disposition at death

Canada has no inheritance tax in the formal sense, but the Canada Revenue Agency treats the deceased as having sold all capital property at fair market value immediately before death — the "deemed disposition" rule. CGT crystallises on the deceased's final tax return. The heir then inherits the asset at the stepped-up cost base. This is structurally the opposite of Position B. The capital gains inclusion rate is 50 per cent (the proposed increase to 66.67 per cent for gains above C$250,000 was cancelled in March 2025); combined with provincial top marginal income tax rates, the effective tax on large unrealised gains at death can reach roughly 26-27 per cent.

## United States · High exemption with step-up in basis

The US position changed materially under the One Big Beautiful Bill Act of 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. In practical terms, US federal estate tax exposure now begins at a level (approximately £11–12m equivalent per person) far above the UK's new £2.5m allowance.

## Germany · Inheritance tax with conditional business relief

Germany operates a recipient-taxed inheritance tax with personal allowances per beneficiary (€500,000 for a spouse, €400,000 for a child, €200,000 for a grandchild). The mechanism that matters for the UK comparison is the conditional business-asset relief under §§13a and 13b ErbStG.

- **Standard relief: 85 per cent exemption.** Conditional on a 5-year hold and cumulative payroll over the period of at least 400 per cent of the original annual payroll.
- **Optional full relief: 100 per cent exemption.** Conditional on a 7-year hold, cumulative payroll of 700 per cent, and a maximum 20 per cent share of administrative assets.

Germany is the clearest example of a regime that combines a death-event inheritance tax with structural carve-outs for genuinely-operating family businesses.

## France · Pacte Dutreil — 75 per cent exemption with retention conditions

France's Pacte Dutreil regime provides a 75 per cent exemption from transfer taxes on qualifying business shares. Conditions include a collective undertaking to retain the shares for at least 2 years before transfer, an individual undertaking by each heir to retain the 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. Combined with €100,000 allowances per parent per child every 15 years, effective transfer tax on a French family-business succession can fall to around 11–12 per cent.

## Japan · Inheritance tax up to 55 per cent

Japan operates an inheritance tax with progressive rates up to 55 per cent at the top marginal rate, with comparatively low basic allowances. Japan provides a Business Succession Taxation system for unlisted SME 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, both in headline rate and in the conditional

structure of the available reliefs. Japan is the comparator that most clearly demonstrates that the UK's reformed regime is not at the strict end of the international spectrum.

## South Korea · Inheritance tax up to 50 per cent with controlling-shareholder premium

South Korea operates an inheritance tax with progressive rates 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 — in some cases over 60 per cent of value transferred. Conditional reliefs for SME succession exist but with strict eligibility criteria. Korea is frequently cited in advisory practice as the comparator that most clearly establishes that family-business succession can be taxed materially harder than the UK proposes to tax it.

## Switzerland and the UAE · No inheritance tax

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 relevant to Question 1 (the relocation channel) rather than to the mechanism question.

## What this comparison actually shows

The international landscape is wider than UK debate often acknowledges. At the soft-treatment end: Australia, the US, Switzerland, and the UAE. At the conditional-relief end: Germany and France. At the strict-treatment end: Canada, Japan, and South Korea. 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.

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. International evidence neither vindicates the UK regime nor condemns it. Position A's claim that the reform is straightforwardly correct in design has to do its own work; international evidence does not do it. Equally, Position B's claim that "this is what every other country does" is overstated — what Position B proposes is what Australia does specifically, and Australia is one model among several.

# 5. What Different Evidence Would Mean

The five questions in Section 2 have answers that are partly knowable and partly contestable. This section walks through what each plausible evidence outcome would imply for the policy question, and what it would mean for the affected groups. The intent is to show readers the consequences of each branch — so they can form a view about which outcome they consider most likely, and which they would consider acceptable — rather than to predict which branch the data will land on.

The reader should hold the timing point from Section 1.5 in mind throughout this section. The four scenarios below describe what HMRC's modelling could show. They will measure a population that has already partly responded — the Companies House data and the OBR's own assumptions both indicate this — and so even the most pessimistic scenario likely understates the true behavioural response by some margin. The scenarios remain useful for thinking about the policy choice, but readers should treat the "small" scenarios with particular caution: a small measured response is consistent with either a genuinely small underlying response or a large response that has already been absorbed into the pre-reform departures.

**On revenue.** The companion policy options paper, which puts indicative numbers on each option in a way this article does not, finds Option B's central-case revenue impact relative to Option A in the range of approximately −£100 million per year over the first five years on conservative behavioural assumptions, with a wider range of −£200m to +£600m depending on which behavioural elasticity is correct. Option B is therefore not obviously revenue-positive on the central case. B's stronger argument lies on cohort retention, behavioural elasticity, and reduced administrative cost — not on direct receipts. Readers and policymakers framing the choice as "which option collects more tax" are operating on a question the evidence does not clearly answer in the way they assume.

Four scenarios are described. They are not exhaustive. They are the four that the available data and the reasonable range of expert opinion suggest are most worth considering.

## Scenario one · The relocation channel is small and SAV caseload manageable

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

**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 founder-lobby framing suggested. For industrial strategy, the regime is neutral-to-positive. The political cost of the original reform turns out to have been front-loaded — the announced response was sharper than the realised response.

**The 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.

## Scenario two · The relocation channel is meaningful but bounded

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. The reform is leaking some revenue and losing some of the cohort, but not catastrophically.

**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. Some structural restructuring becomes more common as advised practice. For industrial strategy, the cost is real but bounded — the UK retains most of its founder cohort but gives up some at the margin. Whether this is acceptable depends on Question 5.

**The honest qualification.** This is the scenario in which design choices matter most, and in which conditional frameworks like the one in Section 3 are most likely to be useful — because the evidence does not clearly support either Position A or Position B.

## Scenario three · Substantial capital flight and operational pressure

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. Position B's case strengthens substantially.

**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 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. The principle of fairness across asset classes is sustained nominally but undermined operationally.

**The honest qualification.** Even in this scenario, switching to Position B is not costless. Long-stop deemed-disposal mechanics need careful design or they recreate the original liquidity problem at the long-stop date. No mechanism is friction-free for every member of every cohort.

## Scenario four · The data is contested or delayed

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.

**What this would mean.** For any conditional framework, 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.

**The honest qualification.** This scenario is what makes Position A and Position B's defenders most uncomfortable with conditional frameworks, in different ways. Position A's defenders fear the trigger will fire under contested evidence and produce a hasty mechanism change. Position B's defenders fear the trigger will fail to fire under supportive evidence and entrench an inadequate regime. Both fears are

reasonable. The honest answer is that conditional frameworks are not robust to data-quality failure.

## 6. The Limits of This Analysis

Three limits are worth naming honestly.

**First, the analysis is system-internal by design — and the most consequential behavioural responses operate at the system-selection level the analysis does not engage with.** The analysis above asks: given the UK tax system, how should the regime work for this asset class? 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 Parliament can legislate against.

Sophisticated holders of unlisted trading-company shares operate at a different level. They ask: given multiple tax systems available to me, which one 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, the Sifted adviser-survey reporting, and the OBR's own 25 per cent behavioural assumption for excluded-property-trust non-doms 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.

This boundary is intentional. 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 the article proposes. The trade-off is real: the article'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. The article's fixes 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. The system-selection question deserves its own treatment; this article does not provide it.

The framing is borrowed from an AI cross-critique session run on an earlier version of this article (a separate chat with one of the four AI tools, prompted to read the draft as a hostile reader would), which put the distinction more cleanly than the article's own earlier drafts had managed: the article operates in a "given the system, how do we fix it?" model, while sophisticated actors operate in a "given multiple

systems, which one do we sit inside?" model. That is the fundamental mismatch. The framing was correct. The within-system analysis remains, in this analyst's view, strong on its own terms. The across-system dynamics are largely out of scope. That boundary is intentional, but it matters, and a reader who needs an analysis of the across-system question will not find it here.

**Second, the analysis is asymmetric in its quantification, and the data it would rely on is partial.** The friction side of the regime — SAV caseload, dispute resolution time, valuation discounts — gets specific numbers and trigger thresholds. 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 the asymmetry is real. Worse, the outcome data that does exist measures a population that has already partly responded: as Section 1.5 notes, the Companies House director-departure data already shows a 40 per cent year-on-year increase between October 2024 and July 2025, before the IHT reform took effect. Any HMRC modelling commissioned now will measure the cohort that remained; the cohort that pre-positioned is already outside the dataset. The reader should adjust their weighting of any quantitative finding accordingly.

**Third, the normative question is not settled by any analysis.** 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 the reader which objective should take precedence when they conflict. That is a matter for ministers, voters, and the deliberative judgment of the people most directly affected.

## Closing

The reformed inheritance tax regime is the right reform in principle in the view of all three serious positions. The mechanism for one specific asset class is contested, on grounds that turn on five questions whose answers are not fully knowable today. Three positions and several conditional frameworks have been proposed; each rests on different empirical assumptions and different normative priorities; each has identifiable consequences under each plausible empirical outcome.

This piece has tried to set out the question, the open evidence, and what different outcomes would imply, without arguing for any of them. Readers will reach different conclusions depending on which empirical outcomes they consider most likely and which normative framing they treat as primary. That is the nature of policy questions answered under genuine uncertainty.

What would help the question resolve, in any direction, is the modelling that has not yet been done and the data that the regime's first operational year will produce. Until then, serious people will reach different conclusions about the right answer with the same evidence. That is not a failure of analysis; it is what the question actually looks like.

---

**POSTSCRIPT · A NOTE ON THIS VERSION**

An earlier version of this article presented one framework — Position C with hard triggers toward Position B — as a recommendation. An AI cross-critique session — Claude in a fresh chat, prompted to read the published article as a hostile reader would — noted that this was advocacy with the architecture of analysis rather than analysis itself. That AI critique session was right.

This version is rewritten in a different register: the framework is presented as one possible response to the current uncertainty rather than as the right answer, and a new section on consequences makes the stakes of each empirical outcome explicit rather than implicit. Where the earlier version asked the reader to accept a recommendation, this version aims to give the reader the materials to form their own view.

Two further points the original critique raised, which are not addressed in this version because they require more space than a postscript: the article assumes the principle of taxing intergenerational business wealth without defending that assumption explicitly; and it focuses on friction more than on outcomes. Both will be the subject of later pieces.

*— Doug Scott. This version published in place of an earlier recommendation-format version, in response to substantive critique from an AI cross-critique session.*

---

## ABOUT

**The author.** Doug Scott is the founder and ex-CEO of Redbrain.com. Born in the UK, lived overseas, came back. His companies have always been UK-owned, UK-operated, UK-tax-paying. He adapted his own position when the BPR reform was announced; many in his cohort did not. The outcome has minimal effect on him personally now. He has been raising the question with government for some time; this paper is what AI tools made it possible for him to express. His other work appears at the sites listed below.

**The publication.** The Longer Look exists for questions that public debate treats too quickly. Pieces appear when they are ready. The Longer Look will be transparent about authorship and AI involvement on every piece it publishes.

**Method.** This piece was produced by Doug Scott, founder and ex-CEO of Redbrain.com, prompting Claude, ChatGPT, Grok and Gemini across multiple parallel sessions, and answering when the tools prompted back. The AI tools produced the writing, the analysis, the citations, and the cross-critique. Doug scanned the output and decided to ship. No human expert reviewed this piece before publication.



## OTHER WORK BY THE AUTHOR

### THE TRILOGY · APRIL 2026

**If This Road** · *ifthisroad.com* — *The wake. A quiet walk through what is shifting.*

**Orphans** · *orphans.ai* — *The diagnosis. Twenty-five years of unrecorded work.*

**The Held** · *theheld.ai* — *The disposition. The working relationship between a person and a machine.*

### AND SEPARATELY

**The Many Builders** · *themanybuilders.com* — *This is where the bears creating the new world live.*

**The Bear Was Right** · *thebearwasright.com* — *A small picture book.*

**The Bear Loved** · *thebearloved.com* — *A small book in twenty-three days.*

---

**SOURCE AND CORRECTIONS**

Canonical version: *thelongerlook.com/articles/2026-04-30-inheritance-tax-companies-full.html*

Corrections log: *thelongerlook.com/corrections.html*

*This document may have been corrected since you downloaded it.*
*Check the corrections page above for any changes that affect this version.*

**By Doug Scott**

*thelongerlook.com · Article One · April 2026*