

AIM to EIS for IHT

AIM's BPR is halving in April 2026 — what EIS can do instead — ascension.vc

Client Scenario

Your client holds AIM shares specifically for IHT purposes through Business Property Relief. From April 2026, AIM's BPR drops from 100% to 50% — meaning 20% effective IHT on those holdings. EIS retains 100% BPR with no change. This document models the transition: what the AIM portfolio currently shelters, what it will shelter after April 2026, and what moving to EIS would achieve instead.

0% → 20%

AIM effective
IHT

100% → 50%

AIM BPR
reduction

100%

EIS BPR
no change

The Strategy

Restore full IHT protection

Your client sells AIM shares and invests the proceeds into EIS-qualifying shares. The EIS holding qualifies for 100% BPR — restoring the full IHT protection that AIM is about to lose. If the AIM has unrealised gains, the capital gains on the disposal are deferred under Schedule 5B TCGA 1992. If EIS is held to death, those deferred gains are eliminated permanently. The client also receives 30% income tax relief on the EIS investment. On £1m transitioned, that's £300,000 back from HMRC. The timing matters: transition before April 2026 and the EIS holding qualifies for 100% BPR immediately. Wait until after, and there's a 24-month vulnerability window at 50% BPR before reaching 100%.

Critical Window

- 1 Before April 2026: immediate 100% BPR**
Transition to EIS and lock in 100% Business Property Relief from day one. No timing risk. No vulnerability window. CGT on AIM disposal deferred via Schedule 5B.
- 2 From April 2026: 50% BPR for 2 years, then 100%**
New EIS enters estate with 50% BPR for the first 2 years. After that, 100%. If the client dies in the 24-month window, the full IHT advantage is lost for that holding. Section 107(2) IHTA 1984 may allow the AIM holding period to carry forward, shortening or eliminating the vulnerability.

Trade-Offs

What your client gains:

- 100% BPR retained (vs 50% on AIM from April 2026)
- 30% income tax relief on EIS investment
- CGT on AIM gains deferred indefinitely
- Deferred CGT eliminated at death (Schedule 5B)
- Tax-free growth on EIS after 3 years (s.150A TCGA)

What your client gives up:

- Liquidity — AIM is tradeable; EIS is not
- Capital certainty — EIS is high-risk venture investment
- Flexibility — 3-year minimum hold for tax relief retention
- Market exposure — leaving a known portfolio for unknown EIS

Suitability

May be suitable if:

- Client holds AIM primarily for IHT planning
- Client's estate will exceed the IHT nil rate band
- Client wants to restore 100% BPR before April 2026
- Client can accept EIS venture capital risk
- Client can commit for a long-term hold (2+ years minimum)
- Professional advice obtained

Key risks:

- Capital loss — high-risk venture investment
- Illiquidity — no secondary market, 5–10 year hold
- IHT exposure in 24-month window if transitioned after April 2026
- BPR capped at £2.5m per estate
- Lost AIM liquidity
- No FSCS protection

Important: This document is for illustrative purposes only and does not constitute financial, tax or investment advice. Figures are hypothetical and based on simplified assumptions and current tax legislation (2025/26). Tax treatment depends on individual circumstances and may change. EIS investments carry significant risk of total capital loss. They are illiquid, with no secondary market, and expected holding periods of 5–10 years or longer. EIS investments are not protected by the FSCS. Past performance is not a guide to future performance.

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