MAKE uk
The Manufacturers' Organisation

In partnership with:
Bishop Fleming
Audit · Accountancy · Tax · Advisory

WHO INHERITS UK MANUFACTURING?

The impact of tax policy on family businesses in manufacturing

Contents

Foreword

For many years, manufacturing business owners have viewed succession planning as an issue that did not require immediate attention. However, a combination of changing economic conditions, evolving ownership priorities and recent tax reforms has brought this issue into sharp focus. In doing so, it has highlighted a broad set of considerations facing business owners. Both this survey and our discussions with manufacturing leaders across the UK show that, at its heart, succession planning is about securing the long-term future of the business.

At Bishop Fleming, we work closely with family-owned and owner-managed manufacturers that have often spent generations building successful businesses. These companies are major employers, innovators, and contributors to local economies, making their continued success important not only to owners and families, but to the wider UK economy.

The survey findings reveal significant concern about the factors influencing future ownership and succession plans, including recent inheritance tax reforms. More broadly, our conversations with industry leaders highlighted the importance of leadership continuity, nurturing talent, protecting jobs, preserving family legacies, and ensuring their businesses continue to thrive long after they have stepped away.

The research highlights both the opportunities and challenges facing manufacturing business owners. While many recognise the importance of planning ahead, a significant number have yet to fully assess how changing economic, commercial and tax considerations could affect their business, family and long-term objectives.

One message was consistently clear: the businesses best prepared for the future are not waiting for a succession event to begin planning. They are investing in leadership development, strengthening governance, identifying potential successors and creating clear long-term strategies. Whether the goal is passing ownership to the next generation, enabling a management buyout or preparing for an eventual sale, early action provides greater flexibility and supports better outcomes.

The report also highlights a broader concern. Many manufacturers believe uncertainty around future tax liabilities and the wider business environment could influence investment decisions, ownership structures and growth plans. As the UK seeks greater productivity and economic resilience, understanding these behavioural impacts is as important as understanding the tax changes themselves. The challenge is not simply managing inheritance tax. It is ensuring that future generations inherit businesses that remain strong, competitive and capable of growth.

Manufacturing remains one of the UK's most innovative, resilient and strategically important sectors. Throughout this report, and in the conversations behind it, we encountered business owners who continue to invest, innovate, and plan for the future despite significant economic uncertainty. Their stories demonstrate the determination and long-term thinking that have always characterised the sector.

At Bishop Fleming, we believe the most successful succession plans begin long before they are needed. Our hope is that this report encourages more business owners to start those conversations early, create greater certainty, and develop plans that support future generations, long-term growth and continued business success.

Dan Phillips
Head of Manufacturing
Bishop Fleming

Executive summary

Family-owned manufacturers are a cornerstone of the UK's industrial economy, accounting for 65% of manufacturers, contributing an estimated £94 billion in economic output, and supporting around one million jobs. Built over generations, these businesses play a vital role in long-term investment, skills development, and local economic resilience. As a result, ownership structure should be an important consideration in industrial policymaking.

Despite ongoing economic pressures, UK manufacturers continue to take a long-term approach to investment, prioritising areas that strengthen competitiveness, productivity, and resilience. Investment intentions remain focused on workforce skills, digitalisation, automation, artificial intelligence, cyber security, and operational efficiency, reflecting manufacturers' commitment to future growth.

However, rising costs, policy uncertainty, and concerns over the wider investment environment are causing many firms to reassess the scale and timing of planned expenditure. Manufacturers believe that a more supportive policy framework, including stronger capital investment incentives and lower employment costs, would help unlock additional investment across the sector.

Succession planning is a key challenge for many family-owned manufacturers, requiring firms to balance business continuity, leadership transition, and long-term growth. While successful succession can provide stability and support future investment, recent inheritance tax changes have increased concern about business continuity, investment capacity, and the ability to transfer ownership between generations.

The research also finds that manufacturers have yet to see meaningful benefits from the Government's Industrial Strategy. To support reindustrialisation, policy must focus on the fundamentals that shape investment decisions: competitive energy costs, a stronger technical skills system, improved access to finance, and a tax framework that supports growth and succession.

In the near term, manufacturers want action to reduce business costs, including lower National Insurance Contributions, a review of IHT changes, and stronger incentives for business investment. These measures would help create the conditions for firms to invest, grow, and remain in the UK.

Introduction

Family businesses[1] are critical to the structure of our economy, and few sectors reflect this more than manufacturing. Manufacturing today is a diverse and specialised sector rooted in communities, providing high-skill, high-wage jobs while investing in technologies that help firms stay competitive in a challenging geopolitical and economic environment.

The sector contributes over £224 billion to the UK economy, employs 2.5 million workers, pays on average 8% more than the national average salary, and accounts for nearly half (48%) of private sector R&D expenditure[2]. Given that two-thirds of manufacturers are family-owned, these businesses likely account for a significant share of this economic and social contribution.

And yet, characteristically, family-owned manufacturers in many respects are no different from their non-family-owned counterparts. Many of these businesses share the same opportunities and challenges and indicate they are prioritising digital revolutions by investing in cyber security, e-commerce and AI on the shop floor, while nearly all are focused on investing in training existing staff.

However, opinions begin to diverge when considering recent tax changes, particularly inheritance tax (IHT). The UK's inheritance tax regime plays a significant role in succession planning, and family-owned businesses in particular are concerned about the changes announced in the 2024 Autumn Budget.

While the Industrial Strategy gave industry a welcome starting point for investment planning, nine in ten manufacturers say they have yet to experience any benefits. This may reflect slow delivery, but also a lack of consideration for characteristics such as ownership structure. As a result, Government support risks undermining its own objectives, weakening the positive investment sentiment generated by the strategy.

Our survey sheds light on manufacturers' concerns and how family-owned businesses are responding to policy changes. Understanding these behavioural adaptations is critical to shaping future policy. Without careful consideration, unintended consequences may arise, such as changing the timings of generational succession taking place.

This survey sheds light on the demographics of family-owned manufacturers in the UK, highlights the sector's investment priorities and the barriers to growth. In addition, the report explores the reactions to the changes made to IHT policy and its impact on succession planning. The report ends with recommendations for policy makers to ease the cost of business. The findings can help policy makers identify how to get more manufacturers to establish, stay, and grow in the UK, and design the right tools to generate good growth.

[1] For the survey, Family Businesses was defined as when the majority (50.1%+) of the decision-making rights is in the possession of a member of the family owners, if the company is listed then a family business is defined as when at least 25% of the share capital of a firm is owned by a family or descendants. (This is in accordance with the EU definition and supported by Family Business UK).
[2] Make UK, Manufacturing: The Facts, 2025

Family businesses and manufacturing - demographics

Businesses are often categorised by their sector, such as manufacturing, or by their size, such as small, medium or large. Yet there is another defining characteristic that receives far less attention in policy discussions: family ownership.

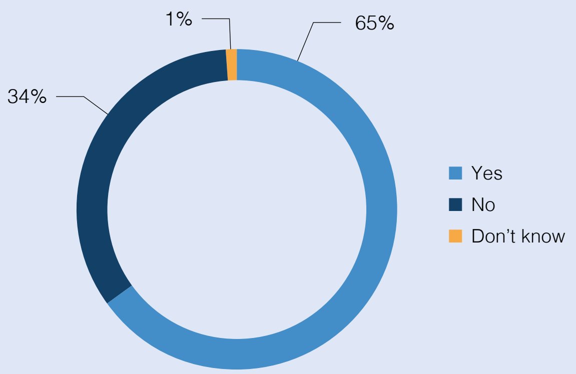
Make UK's survey found that 65% of manufacturers identify as family-owned businesses[3], with 89% of those also managed by a family member. Regional differences are significant. Family-owned manufacturers account for 82% of businesses in the Midlands, compared with 65% in the North and 46% in the South[4].

2/3 manufacturers
are **family-owned** businesses

The ownership structure of a business can have a significant influence on investment and growth. Family-owned manufacturers often take a longer-term approach to decision-making, supported by patient capital and a commitment to passing successful businesses to future generations. This stewardship model can encourage sustained investment in people, technology and productivity, while strengthening the retention of industrial capacity, skills and economic value within the UK.

Until now, policy choices by the Government have considered attributes of a business identity such as sector focus and size, as per the Industrial Strategy or Small Business Plan, yet may have overlooked family ownership. Recognising how policy changes affect family-owned manufacturers differently is essential to ensuring they remain competitive.

Chart 1: 2/3 manufacturers in the UK are family-owned businesses
% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

9/10 family-owned manufacturers
are **managed by a member of the family**

1/10 manufacturers
are **over 100 years old**

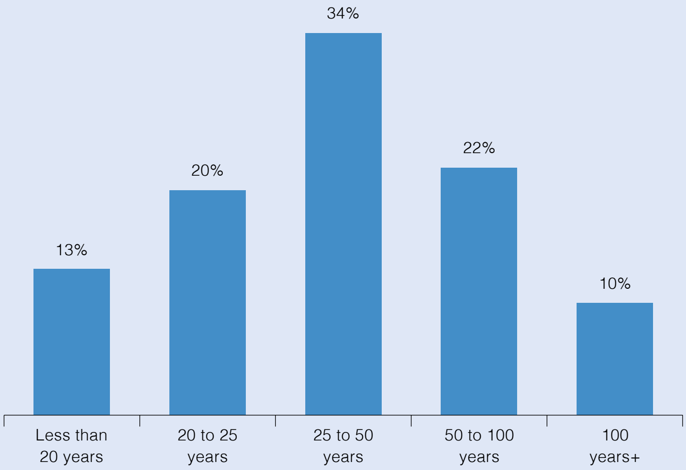
[3] According to the ONS, within the small-medium business population of manufacturers, 72% are family-owned. This is slightly higher than our own survey findings.
[4] The sample sizes for Scotland, Wales and Northern Ireland were deemed too small to consider for regional comparisons.

Age and Succession

Manufacturing businesses in the UK have existed for, on average, 48 years. Many iconic products like Rolls-Royce cars, Fox's biscuits, Hovis bread, and Burberry trench coats continue to be produced in the UK today. Given the long history of manufacturing in the UK, a surprising fact is that only one in ten firms has been in operation for more than 100 years. The limited presence of centenarian manufacturers may be explained by the UK's long-term industrial decline and increasing specialisation, which has seen many firms exit the market or relocate abroad due to cost pressures and international competition. Energy costs remain a particular concern, with 59% of manufacturers reporting that high energy prices continue to hinder growth.

Nevertheless, the data on business age highlights the deep heritage of investment, skills, and specialised expertise built over generations. Almost half of these businesses are currently led by second-generation family members, while one in ten has already reached a fourth-generation transition. Effective succession planning plays a vital role in preserving ownership and often reinforces a commitment to responsible, long-term decision-making.

Chart 2: One in ten manufacturers have been in operation for over 100 years
% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

45% of all family-owned manufacturers are managed by **second-generation executives,** nearly **1/3** are managed by **third generation**

What is the SME family business sector worth to UK GDP?

Small and medium-sized enterprises (SMEs) account for a large proportion of the business population. In most industries, including manufacturing, approximately nine in ten businesses meet the definition of SME (which is typically less than 250 employees)[5]. These businesses are therefore the backbone of our economy, providing communities with jobs, skills and investment that enables communities to thrive. This is one of the UK's strengths, where a vibrant SME sector supports an ecosystem of innovation and specialisation in skill. In policy, the value of SMEs can often be underestimated. We believe the same is true for family-owned manufacturers, where a large proportion of businesses are also SMEs. So, what is the intersection of SME and family-owned manufacturers worth to the UK?

According to Family Business UK, family businesses across all UK sectors generate over £985 billion in GVA and employ over 15.8 million people. This is a substantial contribution to our economy and highlights the important economic and social role these businesses can play.

Make UK's modelling suggests that family-owned SME manufacturers contribute approximately £80 billion to UK economic output[6]. This represents around 39% of total manufacturing output and demonstrates the significant contribution family ownership makes to the sector's long-term success and resilience. In addition, it is estimated that the full-time equivalents (FTE) of employment in the sector are approximately 860,000 for SMEs. This makes family-owned manufacturers and SMEs a powerhouse for economic and social value.

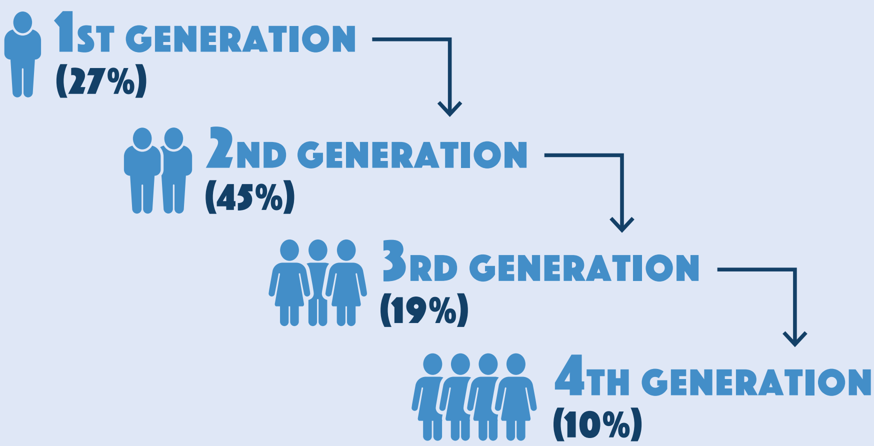
The economic impact is even greater when large family-owned businesses, such as JCB, are taken into account. Their inclusion increases the estimated GVA contribution to approximately £94 billion and raises employment to around one million FTE workers[7].

Family-owned manufacturers contribute

£94BN

to the UK economy and
support around one million jobs

Figure 1 – Stage of succession for family businesses in the manufacturing sector



[5] ONS, Business Size, Activity and Location

[6] The GVA estimate for family-owned manufacturers used primarily ONS data, including the Annual Business Survey, Business population statistics, and the LSBS study (2024). The 95% confidence range for total GVA from the family business manufacturing sector ranges between £54bn and £105bn. The FTE ranges between 580,000 and 1,137,087.

[7] Due to the lack of public data for family-owned businesses in large companies (those with 250 employees or more) estimates were produced by Make UK survey data which utilises a smaller sample compared to the ONS. Therefore, the additional estimated contribution of the large businesses will have a wider range of possibilities.

Investment priorities: people, security, and digital

All manufacturers have investment plans for growth yet face barriers to achieving their ambitions.

Manufacturers continue to operate in an environment characterised by economic uncertainty, geopolitical instability and persistent cost pressures. Against this backdrop, investment decisions are increasingly being shaped by the need to improve resilience, protect profitability and maintain competitiveness, rather than solely pursuing expansion. Survey findings indicate that the three most common areas businesses plan to invest in over the next 12 months are cyber security, skills training for existing staff, and AI and digital technology adoption for middle- and back-office functions. These are discussed below:

62% of manufacturers are placing a **moderate or high priority** for investment in cyber security

63% have placed a **high priority** for investment in skills training

People: A significant proportion of manufacturers are prioritising workforce development, with 63% planning moderate to significant investment in skills training for existing staff. This demonstrates a widespread commitment to developing and retaining talent, recognising that a skilled workforce is essential to maintaining productivity, supporting innovation and enabling businesses to adapt to evolving market demands. Alongside major AI investments, the need to increase growth and productivity may be driving organisations to upskill staff and maximise the benefits of digital technologies.

Security: Cyber security is also a major investment priority, with 62% of manufacturers surveyed planning moderate to significant investment in cyber security operations. This reflects a growing recognition that digital risks have become core business risks. As manufacturers become increasingly connected through cloud-based systems and digital supply chains, the potential operational and financial consequences of cyber incidents have intensified. This priority may also reflect the reactive nature of SMEs and family businesses whose investment choices can be dictated by market events. For example, the high share of businesses investing in cyber security may have been influenced by recent events, such as the cyber-attacks on household names like JLR, M&S, or Co-op[8].

Digital: AI and digital technology adoption for middle and back-office functions is also a high investment priority, with 62% planning moderate to significant investment. These technologies can streamline administrative processes, reduce waste, and improve efficiency. By comparison, 49% are planning similar investment in AI for production or shop-floor functions. Until now, many AI use cases across the sector have been concentrated in departments such as HR, marketing, or finance, with few businesses taking the leap in areas where AI could be most impactful. Make UK research highlights that only 2% of manufacturers have AI programmes embedded across the whole business in 2026[9], suggesting that AI adoption remains limited. Yet it is promising that the survey findings today indicate a large proportion of manufacturers are planning to increase investment in AI, which could support productivity growth.

These findings reveal a sector actively investing in future competitiveness despite mounting economic pressures. Manufacturers are prioritising digitalisation, workforce capability and operational resilience to close the productivity gap. Those which are family-owned are often well positioned to invest for the long term due to the

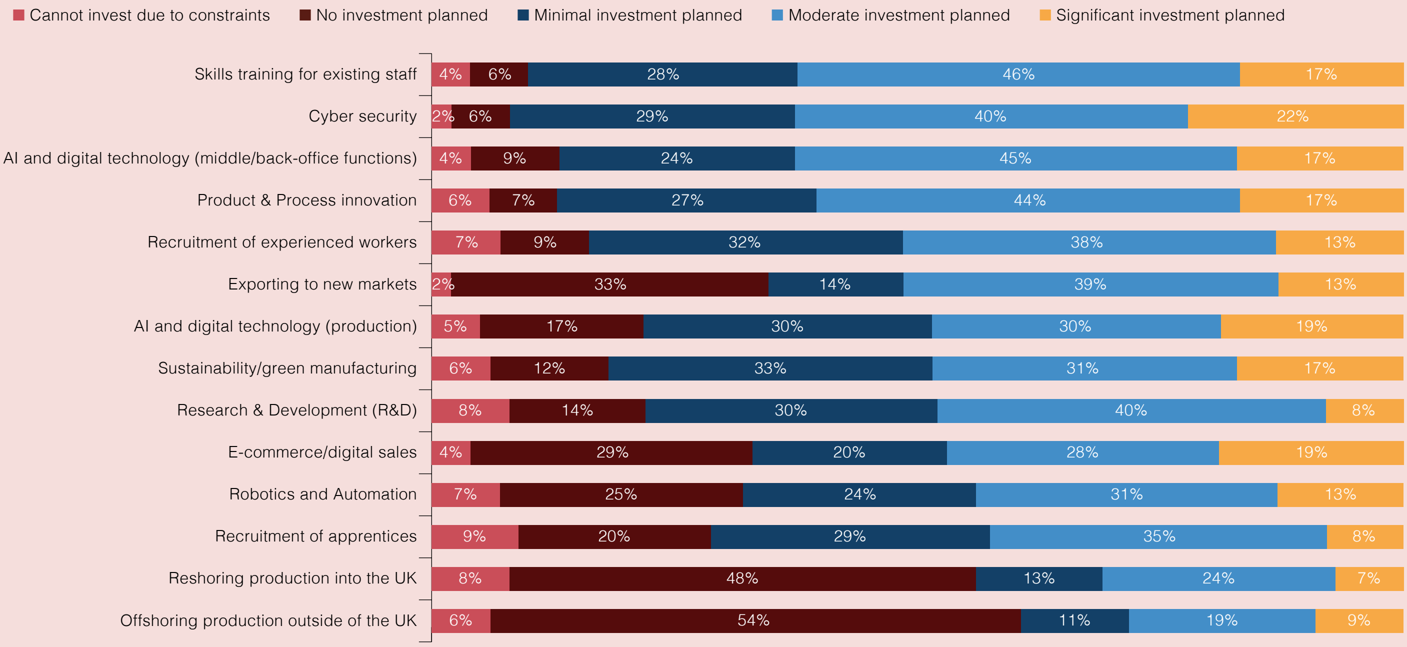
[8] JLR, M&S and Co-op: Who is behind the cyberattacks? | Insider Media
[9] Make UK

continuity of knowledge, expertise, and leadership across generations. This allows them to develop capabilities over time and transfer valuable experience to future successors, supporting sustained growth.

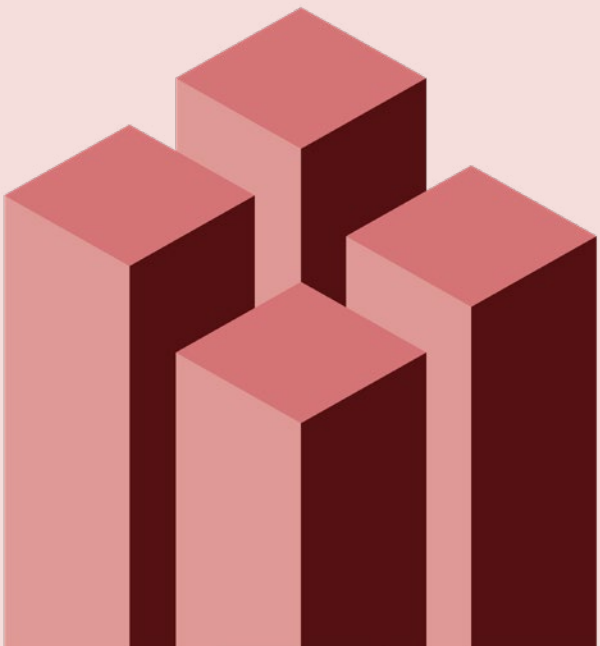
Yet as the evidence suggests, family-owned manufacturers are behind the curve on proactive investment. This may be for a variety of reasons, including differences in values and strategic objectives. However, businesses that adopt a proactive investment strategy will undoubtedly be better positioned to accelerate growth and sustain their competitive advantage. It may also reflect how policy support has historically missed the mark to incentivise these businesses to take risks by either ignoring or misunderstanding crucial characteristics of their business models – such as ownership structures.

Chart 3: Manufacturers are prioritising investment in cyber, AI and skills

% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026



CASE STUDY

Voices behind the data:
A K Industries, Bishop Fleming client

Turning knowledge into competitive advantage

A K Industries is a second-generation family-owned plastics manufacturer, based in Hereford. They specialise in injection moulding and the production of high-performance plastic components for customers operating in regulated and technically demanding sectors.

While manufacturers are pursuing a range of strategies to remain competitive, A K Industries has taken a distinctive approach by focusing on capturing and leveraging the knowledge that underpins its long-term success.

For Sam Green, MD, AI is only valuable if a business has the right information to work with.

"AI is pointless unless you have information."

The business is currently investing in connecting previously disconnected systems and databases to create a platform that captures, analyses, and shares information across the organisation. The challenge is familiar to many manufacturers.

"A lot of our IP is stuck in people's heads."

Rather than allowing knowledge to remain with individuals, A K Industries is building tools that can capture expertise developed over decades and make it accessible to current and future employees.

A different approach to growth: Profitability over vanity metrics

While many businesses focus on revenue growth, A K Industries has deliberately prioritised profitability, efficiency and long-term resilience.

The company continues to invest in new equipment and technology, but only where there is a clear business case and measurable benefit.

As Sam puts it: **"Turnover is vanity, profit is sanity."**

Rather than pursuing expansion for its own sake, the focus is on improving efficiency, extracting more value from existing assets and building sustainable profitability.

This disciplined approach has helped create a stable platform for future investment while avoiding many of the challenges experienced elsewhere in the sector.

Bishop Fleming expert view:
"…manufacturers are increasingly investing in both people and technology. There is a definite shift in roles where the use of AI can provide benefit, however the most successful businesses are not treating these as competing priorities. Instead, they are adapting by using technology to support employees, preserve organisational knowledge and improve productivity while continuing to develop skills across the workforce."

Barriers to growth: energy, uncertainty and tax

Growth ambitions remain strong despite a challenging business environment

While businesses continue to invest, they do so against a backdrop of considerable economic pressures, with the sector's value-added output contracting by 1% in 2025[10]. When asked about the main barriers to growth, manufacturers identified a plethora of challenges holding back their ambitions, but high energy costs, reduced business confidence resulting from economic uncertainty, and taxation were highlighted as their three most significant challenges. Each of these is reflected upon below:

Energy prices are consistently being cited as the biggest blocker to growth

High energy costs remain a persistent concern for UK manufacturers. This is not unique to family businesses, as 59% of manufacturers point to energy costs as a main barrier to business growth. Manufacturing is inherently more energy intensive than many other sectors, and since 2022, 90% of manufacturers have seen their energy prices increase, with 13% even warning it could threaten their long-term viability[11]. High energy costs continue to absorb capital that might otherwise be invested in productivity-enhancing equipment, workforce development or expansion plans. Despite this, investment in sustainability and green manufacturing did not rank as high for investment priority as investments in digital solutions do in this survey, indicating that manufacturers may be targeting increasing productivity over cost management to grow.

Economic uncertainty influences the behaviour of investment

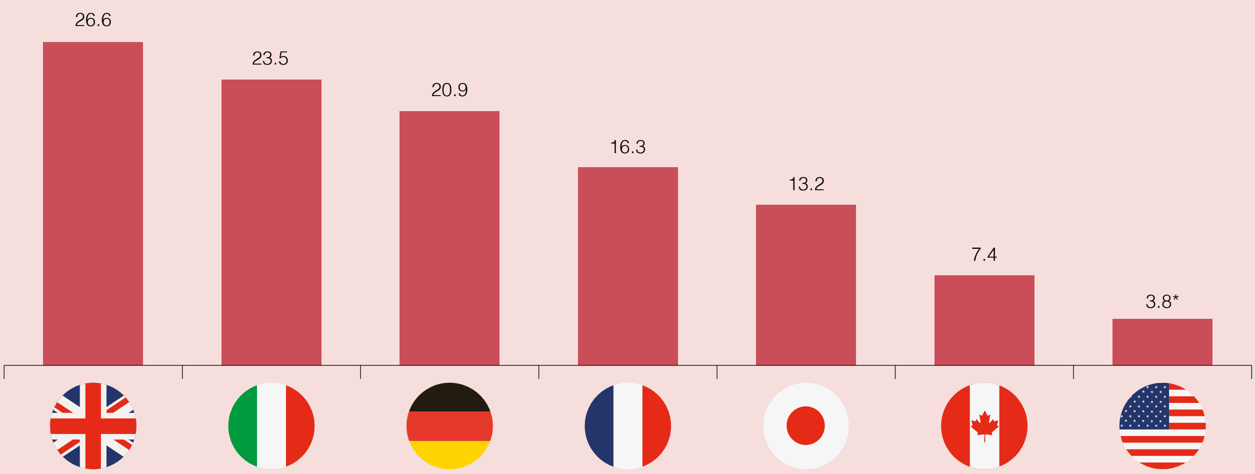
Unsurprisingly, 53% highlight that economic uncertainty is having a significant impact on business growth. Manufacturers do not make long-term investment decisions lightly, and survey data finds that as confidence begins to fall manufacturers are also pulling back on their plans for investment[12]. During times of crisis, investments are typically diverted for short-term working capital needs, impacting hiring plans and preserving cash flow. However, in many cases, businesses are not necessarily reducing their ambitions but are extending investment timelines until there is greater clarity regarding future market conditions.

Tax pressures are limiting manufacturers' ability to invest

47% of businesses cited taxation as a significant barrier to growth. Manufacturers are capital intensive, requiring substantial investment in machinery, facilities, technology, and skills. As a result, businesses are particularly sensitive to changes in the tax environment, especially where those changes affect investment returns or increase operational costs. The prominence of taxation as a growth barrier shows that many manufacturers believe current fiscal conditions may be limiting their ability to invest and expand. UK manufacturing businesses consistently identify a reduction in Employer National Insurance Contributions as a tangible and controllable policy measure that would lower employment costs, improve competitiveness, and help stimulate business.

Figure 2 – The UK is the most expensive nation for industrial energy prices across the G7*

Price in pence per kWh (including taxes)

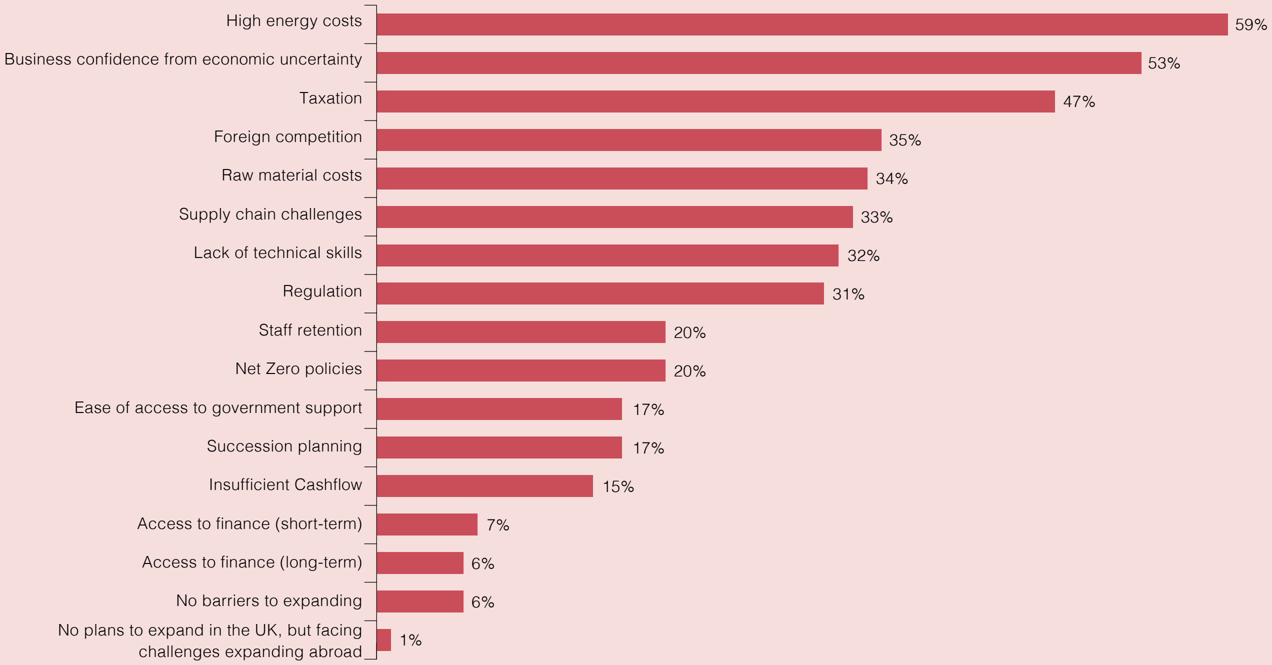


*Due to missing data for the US, their energy cost was estimated using data from the IEA

Source: DESNZ

[10]ONS, Low level aggregates data, 2026
[11]Make UK/Ecotricity, From Crisis to Stability: A Future Energy System for Manufacturers, 2026
[12]Make UK, Manufacturing Outlook Survey, 2026

Chart 4: Energy cited as the biggest barrier to growth in the manufacturing sector
% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

investment and growth. This survey's findings suggest that the balance between tax burden and tax relief, from the perspective of manufacturers, may not be optimal.

The data further shows around one in three manufacturers cite foreign competition, raw material costs, supply-chain pressures, skills shortages, and regulation as barriers to growth. This underlines the need for targeted support, alongside action to lower energy costs, deliver the Industrial Strategy, and ensure the balance between tax burden and relief supports investment.

Removing barriers to unlock growth

When asked which single barrier to growth they would most like to have removed, manufacturers pointed to taxation. While high energy costs remain a significant constraint on business performance, respondents indicated that reducing the tax burden would have a greater impact on supporting growth. This may reflect the fact that, unlike energy prices or wider economic conditions, tax policy is an area where government intervention can directly influence the operating environment for businesses.

Overall, the findings show a sector that remains ambitious and willing to invest but is operating cautiously amid rising costs and economic uncertainty. Manufacturers are prioritising resilience, digital transformation and efficiency, but policy makers must ensure the wider business environment supports those ambitions. Investment in UK manufacturing could be strengthened through more generous investment reliefs, including enhanced capital allowances, R&D incentives, and targeted tax credits and grants that encourage businesses to invest in new facilities, technology, and workforce development.

CASE STUDY

Voices behind the data:
Bailey Caravans, Bishop Fleming client

Investment in digital technologies and people are key to growth

Bailey Caravans is one of the UK's leading leisure vehicle manufacturers, producing caravans, motorhomes, and campervans for customers across the UK and Europe, and is part of the Howard Family group.

As part of a proud family-owned business group, Bailey's investment plans remain firmly focused on the future.

Product development and tooling remain Bailey's largest recurring investments, supported by continued spending on machinery, operational improvements and digital resilience. The business has also invested in cyber security, digital infrastructure and upskilling employees through professional qualifications in finance, project management and supply chain management.

"Our biggest recurring investment is product development and tooling. Alongside that, we're continuing to modernise machinery and invest in digital capability." Nick Howard, Bailey Caravans

Energy and raw material costs continue to impede growth ambitions

However, rising cost pressures from energy prices and raw materials have presented significant challenges to growth. Despite already investing in renewable energy generation and forward-purchasing arrangements where possible, supply-side challenges continue to impact business performance.

"Energy costs have gone up, but the impact on raw material costs has been even greater. The inflation we've seen across our supply chain has had a huge impact on the cost of manufacturing."

Bishop Fleming expert view:
"UK manufacturers have demonstrated considerable resilience in the face of geopolitical and economic uncertainty. Cost pressures have undoubtedly stifled growth, however, remaining competitive will require continued investment in productivity, digital technology and operational efficiency. This will enable firms to capitalise on opportunities as market conditions improve."

Inheritance Tax: the future of manufacturing rests on the shoulders of the next generation

Family-owned manufacturers are an economic powerhouse, estimated to contribute around £94 billion in economic output and employ over one million workers, with most of this value originating from SMEs. It is a type of ownership structure that is interwoven into the fabric of our industry and an important characteristic for the sector.

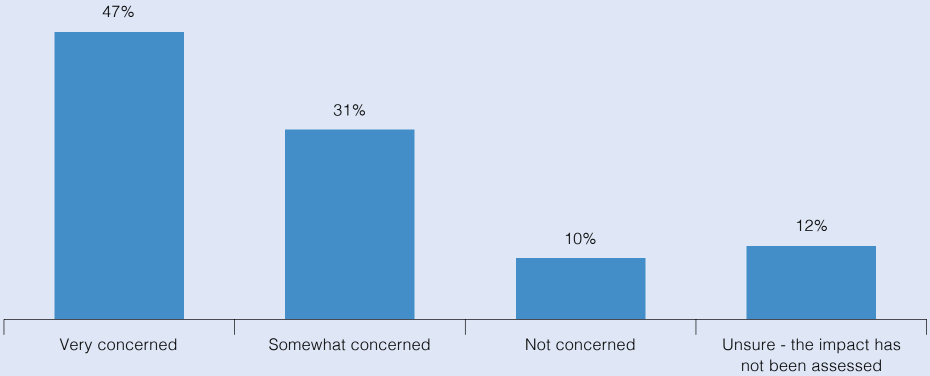
In 2024, the Chancellor announced significant changes to the tax system to increase the security of our public finances and ensure essential services can be paid for. Changes to inheritance tax (IHT) policy were among the measures that caused particular concern within asset-heavy sectors such as manufacturing. While the Government revised the changes to the Business Property Relief (BPR) and raised the threshold from £1 million to £2.5 million, many manufacturers remain concerned about the long-term implications of these changes to their businesses. More importantly, the response may be seen indirectly in reduced investment and slower growth ambitions.

What's changed in Inheritance Tax?
In the 2024 Autumn Budget, significant changes were announced to UK inheritance tax (IHT) policy. These changes include the following:

1. **Extending freezes on IHT Thresholds:** The nil-rate band (£325k) and residence nil-rate band (£175k) will be frozen until 2030. By freezing thresholds more assets will be brought into taxable rates as asset prices rise over time.
2. **Reforming the Agricultural Property Relief and Business Property Relief (APR/BPR):** A 100% relief for the first £2.5 million of assets, with any value above this rate eligible for only a 50% relief. This results in a 20% IHT charge on any value that is not eligible for relief.
3. **Pension Pots:** From April 2027, unused pension pots will be included in a person's estate for IHT purposes.

Chart 5: Nearly 8/10 family-owned manufacturers are concerned about the impact of IHT on succession planning

% share of manufacturers



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

According to our survey, 78% of family-owned manufacturers are very or somewhat concerned about the impact of changes to inheritance tax (IHT) and succession planning.

The immediate implication is that many family-owned manufacturers may face higher succession costs. More concerning, however, is the potential impact on business behaviour. If firms react by delaying investment, restructuring ownership, or selling businesses altogether, the long-term consequences for industrial capacity, productivity and economic resilience could be significant.

Manufacturers were asked what specifically concerned them about the changes to IHT, and several recurring themes emerged. These include:

- **Cost and affordability:** Concerns they will not be able to afford the cost of succession.
- **Limiting opportunities:** Forced sale of businesses/ assets to fund transfers, leaving future generations to start with less when building their businesses.
- **Diverting cash away from investment:** Reducing growth ambitions by spending reserve cash on succession planning, such as on lawyers, accountants and advisors.
- **Perceiving the tax as a penalty for being capital intensive:** Some manufacturers highlight that they feel like they are being penalised for being asset heavy, and cash poor. However, this may also indicate a lack of understanding of how IHT works, with large cash balances themselves negatively impacted by the Business Property Relief.
- **Policy uncertainty:** Increased uncertainty about the future as IHT policies can change again, affecting long-term investments.

These behavioural changes will not necessarily result in a long-term decline in economic activity. The sale or transfer of a business can often be a commercially rational response to changing ownership requirements or market conditions. Indeed, mergers and acquisitions frequently create opportunities for growth, efficiency, and investment through market consolidation.

The greater concern is that ownership and investment decisions become driven primarily by tax considerations rather than commercial objectives. This could lead some manufacturers to sell their businesses to third parties, alter ownership structures, or divert capital away from productive investment in order to manage future IHT liabilities. While the full long-term impact is difficult to quantify, such decisions risk weakening productivity growth and increasing the transfer of strategically important manufacturing assets to owners whose long-term priorities may not align with the UK's economic interests.

Manufacturers' choices to invest and grow underpin the UK's ability to produce the goods people rely on every day. When considering tax policy changes, policy makers should look beyond short-term revenue gains and consider how they influence long-term business investment decisions, as these ultimately drive productivity, economic growth, and living standards.

CASE STUDY

Voices behind the data:
Integrity Communications Group, Bishop Fleming client

Succession planning must start early

Integrity Communications Group is a diversified communication, print, and technology business employing around 400 people. The business was acquired by Mark Cornford in 2008, who evolved the business to focus on broader activities to serve clients through a range of communications, technology and related services. Today it turns over more than £72 million. The next step is future proofing the business through investment in succession.

Planning for the next generation

For Mark, succession planning has become a growing priority over the last few years.

“It’s something I’ve definitely started thinking about much more consciously.”

Rather than viewing succession as a one-off event, he sees it as a gradual process of developing future leaders, investing in talent and ensuring the business is prepared for change when the time comes.

Mark believes succession planning is strongest when businesses start early, giving future leaders time to grow into their roles and creating flexibility around future ownership and leadership decisions.

“Two or three years ago, I would probably have answered this question differently. Because I’ve been thinking about it more consciously, I’ve started bringing in fresh talent and focusing on developing people for the future.”

With a leadership transition, ownership planning, and the wider economic landscape continuing to evolve, Integrity Communications Group is taking a proactive approach to ensure long-term stability and continuity.

Bishop Fleming expert view:
“Succession planning should be viewed as a long-term process rather than a one-off event. Businesses that seek advice early and regularly review their succession plans are often better placed to navigate tax considerations, access available reliefs, and achieve their long-term ownership objectives.”

What actions are family-owned manufacturers considering in response to changes in IHT?

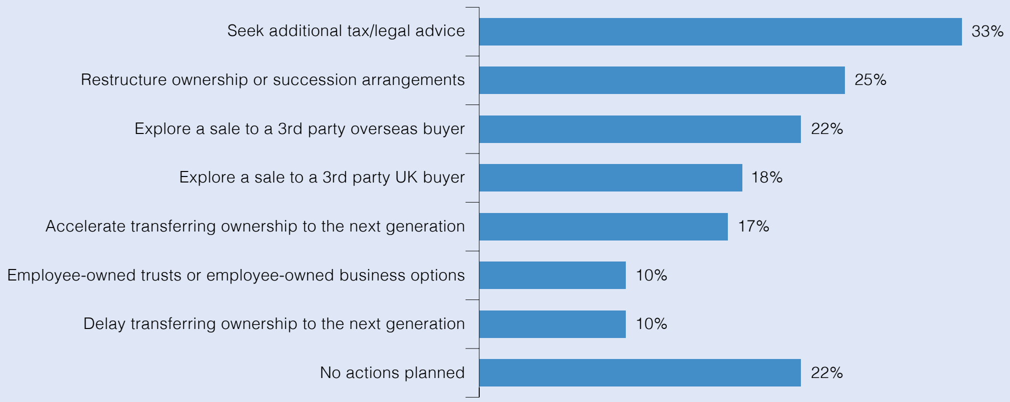
As manufacturers assess the implications of the IHT changes, many have yet to determine how they will respond. Notably, 22% have no plans in place, which may reflect either a lack of preparedness or a belief that the impact will not be felt for many years. The top three themes are discussed below.

Tax and legal advice

A third of manufacturers (33%) report needing additional support from tax and legal advisers to understand the implications of the IHT changes. This emerged as a recurring theme throughout the research, with many businesses indicating they may need to redirect funds previously earmarked for investment towards professional advice and planning. It is therefore essential that businesses seek guidance as early as possible to fully understand the potential impact of the changes. Greater certainty over future obligations can help firms make informed decisions and maintain investment in the people, assets, and innovation that drive long-term growth.

Chart 6: Actions family-owned manufacturers are considering in response to recent changes to IHT

% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

What can manufacturers do right now to support themselves following the change in IHT policies?

Expert advice from Bishop Fleming:

1. **Start planning early -** This provides greater flexibility, allows more options to be considered, and reduces the risk of decisions being made under pressure.

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2. **Speak to an advisor to understand tax implications -** Understanding the potential liabilities early can help avoid unexpected costs and identify opportunities to improve tax efficiency.

3. **Assess succession options -** Business owners should evaluate all available options in addition to family succession, including management buyouts, employee ownership trusts, private equity investment and trade sales, to determine which best supports their long-term objectives.

4. **Perform an exit-readiness review -** Looking at financial, commercial, operational, tax & legal value drivers helps to ensure the business is prepared for future transition.

5. **Develop the next generation of leaders -** Investing in leadership development, mentoring, and talent planning helps ensure future leaders have the skills, experience and confidence needed.

Restructuring and succession planning

One in four manufacturers are considering restructuring their businesses, likely motivated by a desire to reduce the final IHT bill when it becomes relevant. This could be restructuring ownership structures to take advantage of available reliefs, for example structuring by gifting shares to the next generation during their lifetime, up to the £2.5 million allowance. This renews every seven years, and before the changes to IHT the business would have been free from any bill. The example suggests business control could be passed on within a lifetime, rather than on death, even if the new generation was not ready to take over. Regardless of the exact approach a business takes for restructuring, the main issue is that its motivation is unrelated to productivity and instead driven by a desire to avoid a bill that is perceived as unnecessary. From an economic perspective, this may divert resources away from productive investment activities.

Selling the business

22% of manufacturers are considering a sale to an overseas buyer, while 18% are exploring a sale to a UK-based buyer. Although these proportions remain relatively modest, they nonetheless represent a significant share of family-owned manufacturers contemplating the disposal of their businesses in response to changes in IHT policy. Notably, more firms are considering a sale to an overseas buyer than a transfer of ownership within the UK, raising concerns about the potential loss of domestically owned productive assets. These figures could increase further, particularly if the 33% of businesses currently seeking professional advice ultimately conclude that a sale represents the most viable course of action.

A key concern arising from the IHT changes is the potential increase in business sales, resulting in strategically important assets being transferred to owners whose interests may not fully support the UK's broader economic ambitions. In recent years, public interest in nationalising key infrastructure has grown. While interest has focused on public infrastructure, (such as rail or water) the manufacturing sector has also been targeted for nationalisation to secure domestic capacity in rare instances. For example, Sheffield Forgemasters' was nationalised in 2021 due to its strategic importance in building naval capabilities for our defence sector. Prior to this nationalisation, a state-owned Chinese firm attempted to purchase it but was ultimately blocked over national security concerns.

While this made sense for the defence sector, manufacturing more broadly is vital to the UK's security and resilience, from producing ventilators during the pandemic to ensuring food supply. If IHT changes indirectly encourage the sale of strategic businesses to overseas buyers, control of these assets may move beyond UK ownership. With more than six in ten manufacturers being family-owned, who ultimately owns the UK's manufacturing base should be a key consideration for policy makers.

HOW IS SUCCESSION PLANNING IMPACTED BY CHANGES TO IHT?

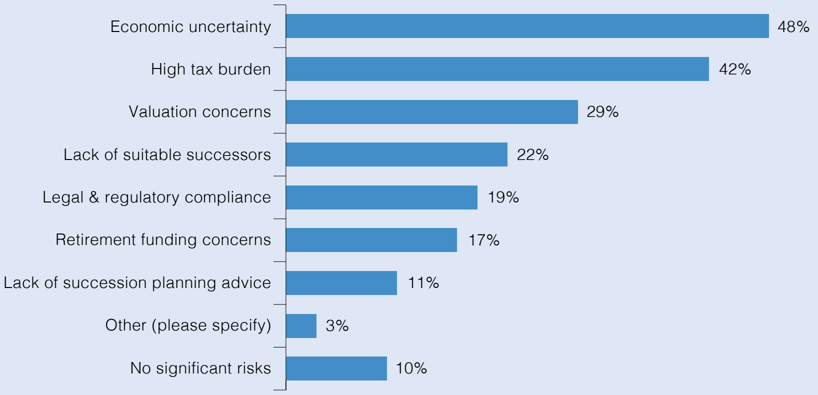
Succession planning is one of the most important considerations for family-owned manufacturers. Unlike many other businesses, family-owned firms often view ownership transition not simply as a commercial transaction but rather the continuation of a long-term legacy built over generations. Effective succession planning provides certainty for employees, customers, and suppliers while helping to preserve productive capacity, skills, and investment within the UK economy.

Changes to IHT are likely to influence both the timing and likelihood of business succession. While 65% of manufacturers have a formal succession plan, 20% report being unprepared for an ownership transition. Effective succession planning is critical to preserving business value. Early preparation provides greater flexibility to pursue options such as family succession, management buyouts, employee ownership, private equity investment, or a trade sale.

Nevertheless, several factors can create risks to succession planning, and when manufacturers were asked to identify them, economic uncertainty and a high tax burden topped the charts. This is similar to the barriers that were identified for growth indicating that manufacturers see growth and succession as closely linked.

Chart 7: Economic Uncertainty and tax burdens are considered the biggest risks to succession planning

% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

The Industrial Strategy must move from ambition to delivery

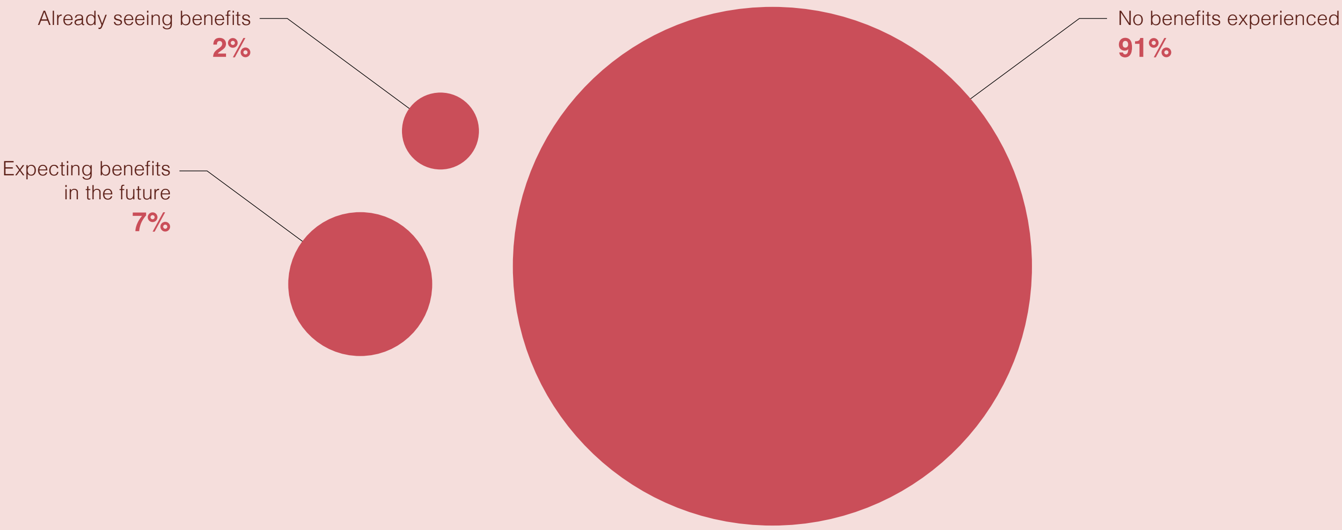
The Industrial Strategy was widely welcomed by manufacturers, signalling a shift away from the short-term policymaking that has characterised much of the UK's economic approach in recent decades. Supported by sector-specific plans, including the Advanced Manufacturing Plan, the strategy provides a balanced long-term framework for growth, centred on eight priority industries and intended to give businesses greater confidence to invest in the future.

One year on from this publication, there is a growing disillusionment between ambition and delivery for the sector. There have already been some brilliant outcomes, such as the £4 billion DRIVE35 funding to accelerate our capacity within EV supply-chains, as well as the announcement of four Advanced Manufacturing Technical Excellence Colleges to lead skills generation in the sector.

The economic environment has changed substantially since the release of the 10-year plan, with higher energy prices, increasing tax burdens and rising labour costs pulling many businesses to the brink of collapse. Despite this, businesses in our latest survey remain steadfast in their investment priorities, betting on the digital revolution to rebalance their costs.

Survey results show manufacturers are yet to experience the benefits of the Government's Industrial Strategy. 91% report seeing no benefits from the strategy one year on.

Figure 3 – Share of manufacturers who have experienced benefits from the Government's Industrial Strategy
% share of responses



What's Missing?

All manufacturers, regardless of sector focus, size or ownership structure, need to see visible action. There needs to be tangible development in the following areas:

Energy: Support for energy costs is set to be delivered through the British Industrial Competitiveness Scheme (BICS). However, with only 10,000 firms expected to benefit, many manufacturers facing high energy costs are likely to be excluded, leaving significant gaps across supply chains. We argue that extending the scheme to all manufacturers could be fiscally neutral. Our analysis suggests that while the policy would cost the Exchequer approximately £3.3 billion, it would generate an equivalent increase in GDP, offsetting much of the initial expenditure.[13]

Skills: Reforms to the skills system have yet to deliver meaningful benefits, with no progress made on reviewing apprenticeship funding bands. In engineering and manufacturing, the cost of training apprentices has risen steadily over time, outstripping the funding available to providers and contributing to a reduction in training capacity as providers exit the market. While the Industrial Strategy committed to a review of funding bands, momentum appears to have shifted towards addressing the growing number of young people not in education, employment or training (NEETs). This is concerning given that skills shortages are estimated to cost the manufacturing sector between £4 billion and £5 billion in lost output each year.[14]

Finance: Challenges accessing finance remain a significant barrier to growth for manufacturers. While the UK has built a strong reputation for supporting business start-ups, it has often struggled to provide the capital needed for firms to scale. The Government describes this funding gap as the "Valley of Death", where promising businesses can fail to reach their potential due to insufficient access to finance during periods of rapid growth. Although the British Business Bank (BBB) has been allocated more than £4 billion to support the expansion of businesses in the Industrial Strategy's priority sectors, a substantial share of this funding remains undeployed. Make UK estimates that improving access to finance could unlock an additional £9.2 billion of investment in UK manufacturing each year.[15]

Progress is required in several areas, but action should start with the fundamentals that shape everyday business decisions. Manufacturers remain supportive of the Government's Industrial Strategy, but delivery must better reflect the realities facing firms. Policies should be designed with business characteristics such as sector, size, and ownership structure in mind, helping to create the conditions for businesses to establish, grow, and stay in the UK.

[13] Make UK, Delivering the British Industrial Competitiveness Scheme, 2026
[14] Make UK analysis using ONS data on vacancies and productivity
[15] Make UK/NatWest, Opening Doors to Investment in Manufacturing, 2024

Policy recommendations

What do manufacturers need to help them grow? The survey findings highlight that businesses need support on short and long-term costs. These include:

REVERSING CHANGES TO INHERITANCE TAX:

42% of manufacturers want the IHT changes reversed.

This concern is particularly prevalent among family-owned businesses which face significant additional costs when transferring ownership between generations.

To address these unintended consequences, **we propose a review of the BPR cap and associated IHT changes to ensure they do not discourage long-term investment or create barriers to business growth and succession.**

The immediate challenge from IHT changes is the increased cost of succession, however the longer-term risk lies in how these changes influence business behaviour. Future generations may be less inclined to take over the business, while owners may redirect resources away from investment and growth to prepare for future tax liabilities. Reviewing the changes to IHT and considering reversing announcements to the BPR will ensure that this does not become a tax that distorts investment behaviour.

ENHANCING INVESTMENT RELIEFS:

One in four manufacturers believe enhancing reliefs and incentives for investment would help them grow.

Make UK members have identified several opportunities to strengthen investment incentives, including extending capital allowances to software expenditure and allowing refurbished second-hand plant and machinery to qualify. These changes would help unlock additional investment and support productivity growth across the sector.[16]

A strong tax environment is critical to investment decisions. As part of a successful industrial strategy, the balance between taxation and investment incentives must encourage businesses to invest, grow, and create value, benefiting both economic growth and tax revenues. However, the findings from this survey suggest that many manufacturers believe this balance is currently tilted against investment.

Interestingly, not many businesses opted for changes to Capital Gains Tax (CGT), net zero policies or other methods of easing the cost of business. This suggests manufacturers do not believe changing these will benefit their businesses, at least relatively speaking when compared to identified investment incentives.

[16]Make UK, Manifesto, 2026

REVIEW NATIONAL INSURANCE CONTRIBUTIONS (NICs):

54% of manufacturers want to see the cost of NICs reviewed.

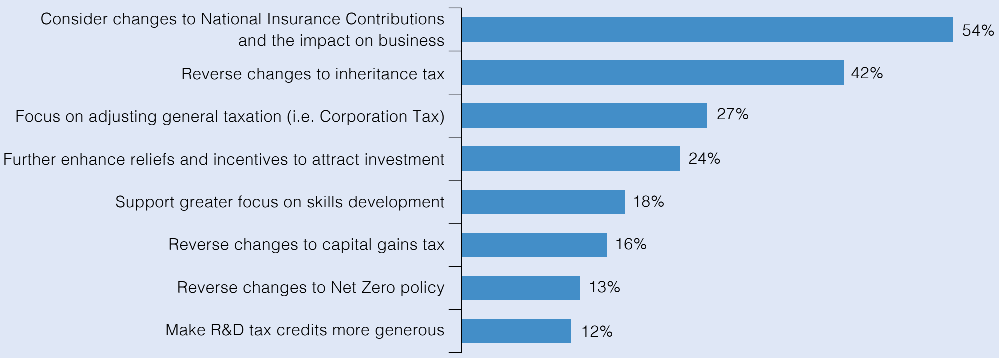
The rise in employer NICs led to significant costs for businesses. On average, the cost of employment increased by £1,000 per head, and industry-wide it led to a sector total cost of approximately £2.5 billion.

Since the Government changed NICs, a formal review has not yet taken place to assess the total impact on UK industry. Manufacturers believe this review must take place and be adjusted accordingly if found to have had an overall negative impact on industry.

Make UK's view is that the threshold change was too significant for businesses to manage and updating this to ease the cost of employment would support recruitment. Make UK analysis indicates that raising the employer NICs threshold to £7,500 would deliver a £946 million reduction in costs to the manufacturing sector.

Chart 8: What should the Government prioritise doing to support UK industry to grow?

% share of responses



Source: Make UK/ Bishop Fleming, UK Manufacturing and Family Business Survey, 2026

Conclusion

Our research with Bishop Fleming on UK manufacturing and family-owned businesses demonstrates the value that these businesses bring to the UK. The discussion is about how Government creates an environment in which family-owned manufacturers can continue to invest, innovate and transfer productive businesses to the next generation. If policy makers want more firms to establish, stay and grow in the UK, ownership structure must become part of the industrial policy conversation.

Manufacturers of all shapes and sizes are already investing in a digital and skills revolution to increase productivity. At the same time family-owned and non-family-owned manufacturers alike are worried about high energy costs, taxes, and economic uncertainty which are preventing them from growing.

In many cases, a broad fiscal approach that supports all manufacturers can effectively alleviate burdens and ignite growth, such as the introduction of Full Expensing Capital Allowances achieved in 2023.

In other cases, a targeted approach based on the characteristics of manufacturers may be more effective. Make UK is calling for a review of the inheritance tax changes, which risk discouraging investment and limiting the long-term growth of the very companies the Industrial Strategy aims to support. Finally, the Industrial Strategy is a once-in-a-generation opportunity to drive a renewed era of industrial growth in the UK. Its success will depend on creating the right conditions for businesses to invest, scale, and remain competitive. The evidence in this report points to a clear need to reduce barriers to growth and demonstrate that expanding and investing in the UK continues to be encouraged, not penalised.

Make UK
The Manufacturers' Organisation

Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK's economic engine and the world's workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world's biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

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Bishop Fleming

Bishop Fleming is a leading UK provider of audit, accountancy, tax and advisory services, partnering with ambitious owner-managed businesses across a diverse range of sectors. We bring deep specialist expertise in the manufacturing industry, combining robust technical knowledge with a proactive, hands-on approach to help clients improve performance, manage risk, and drive sustainable growth.

We know that every business goes through different stages, each bringing its own challenges and opportunities. As an owner-managed firm ourselves, we understand the pace, pressures and decisions that come with running a business, and we tailor our support to reflect that.

Our Manufacturing team works with a diverse mix of organisations from innovative start-ups and entrepreneurial inventors to large, internationally active operations and publicly funded projects. This breadth gives us a strong, rounded view of the sector and enables us to offer practical, insight-led advice.

We don't believe in off-the-shelf solutions. Instead, we work closely with you to understand your goals and provide the right support for today, while helping you plan confidently for the future, whatever your size, stage or ambition.

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- Audit and assurance
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The Manufacturers' Organisation

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