Q2 2026

UK Private Company Director

Welcome to the July 2026 issue of UK Private Company Director, the quarterly newsletter for directors of owner-managed, family and private equity backed businesses.

We cover financial, legal, tax and wealth management issues that are crucial to building and realising the value of your business. Corbett Keeling's report on deal activity in buying and selling UK companies offers clear insight into investor appetite and market sentiment.

As always, this issue tackles topics of relevance for directors of privately owned businesses in the UK:

- Despite political and geopolitical uncertainty, the private company M&A market remains in decent health, and the growing alignment of buyers and sellers on deal valuations is a positive signal (pages 2 to 3).
- Proposed new reforms will include defined contribution pension funds coming into estates for inheritance tax purposes. We consider the implications for personal long-term wealth planning (page 4 to 5).
- Business owners often underestimate the legal complexity of the sale process. We highlight five key areas to consider from the outset when planning an exit (page 6).

All the best,

Megan Peel

Megan Peel, Editor

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A growing alignment of interests

While the market for private company M&A remains in decent health, political clouds are looming on the horizon. But Jim Keeling of corporate finance advisor Corbett Keeling observes that buyers' and sellers' expectations for sale values are converging, which provides fertile ground for getting deals done.

By the time you read this, the UK will have another prime minister, our seventh in ten years. That's a lot of political change. But what used to seem extraordinary upheaval now feels like just another day in Westminster. Certainly, the business owners I speak to no longer express shock. But it may feel like yet another straw loaded on the camel's back, prompting some to contemplate selling their business.

Others may argue that another prime minister won't make much difference: as usual, business people will get on with running their companies, regardless of the new occupant of No.10.

I'm not so sure. This time, we have been hearing persistent rumours of significant changes to the capital gains tax (CGT) regime, which could have major implications for business owners. The business asset disposal relief has already been raised from 10% to 18%. A further rise is possible. More worryingly, several allies of Andy Burnham have suggested aligning CGT with income tax, taking it to a top rate of 45%.

Time will tell. For now, we find the market for private company transactions in fairly good shape. Activity has slowed slightly from the first quarter, though the data is likely to be revised upwards when the final figures come in.

Encouragingly, what we are seeing on the ground is an increasing alignment between buyers and sellers on what constitutes a sensible valuation for a deal. That is crucial: a narrowing gap between what buyers will pay and what sellers expect is vital to getting a deal completed. And what is more, if both parties are equally satisfied, it will help to ease what can be a fraught experience of selling the business you have lovingly grown over many years.

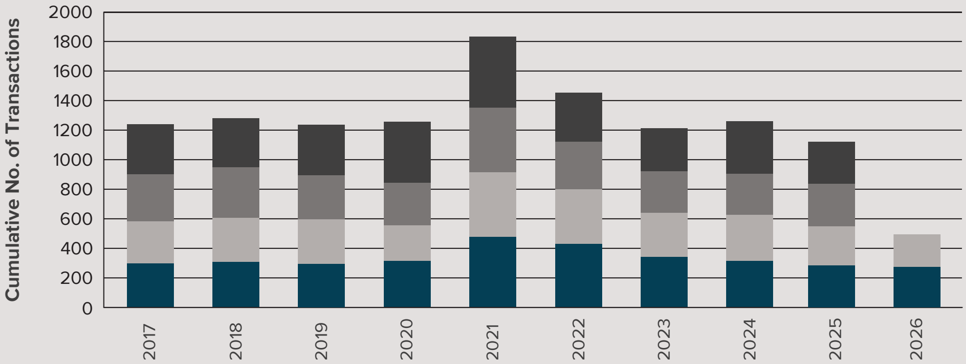
Assessing the deal data

While the first half of the year produced only a modest volume of deals, the overall value was very high. However, that was partly due to one mega deal in our "larger" category in the first quarter, and activity in the second quarter moderated slightly.

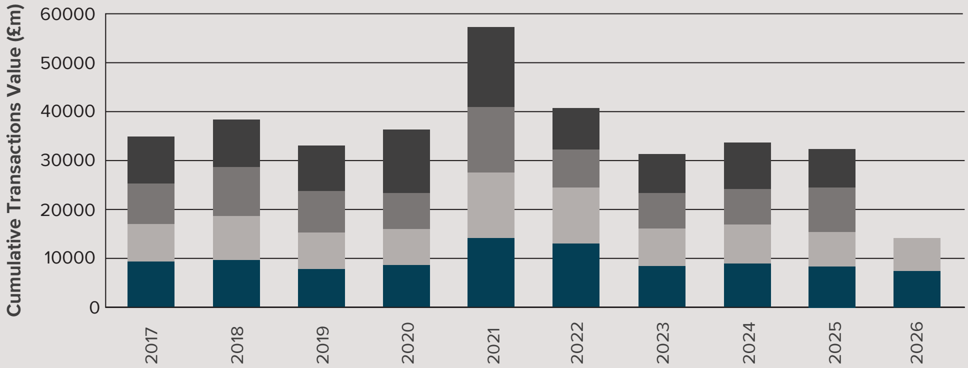
Smaller deals (enterprise value under £150 million)

The number of smaller deals declined from 273 to 217. The total value fell from £7.4 billion to £6.7 billion, meaning the average value per deal actually increased from £27.1 million to £30.9 million.

Sub £150m Transactions by Volume in the UK



Sub £150m Transactions by Value in the UK



Key:

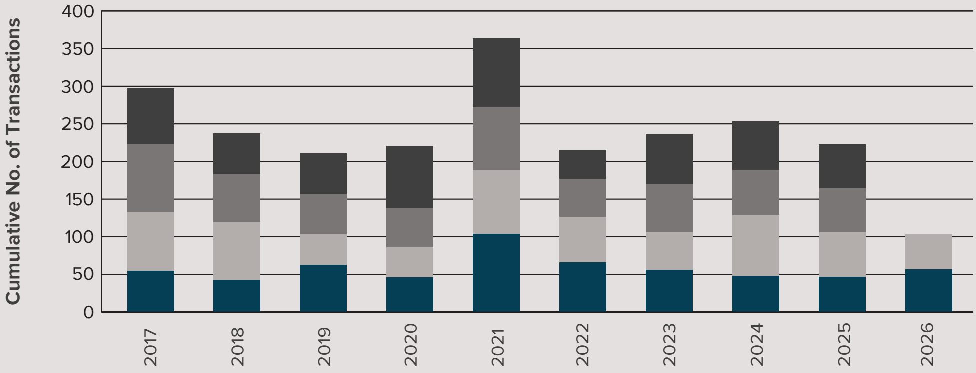
Q4 Q3 Q2 Q1

Data source: PitchBook.
Data as at 30 June 2026.

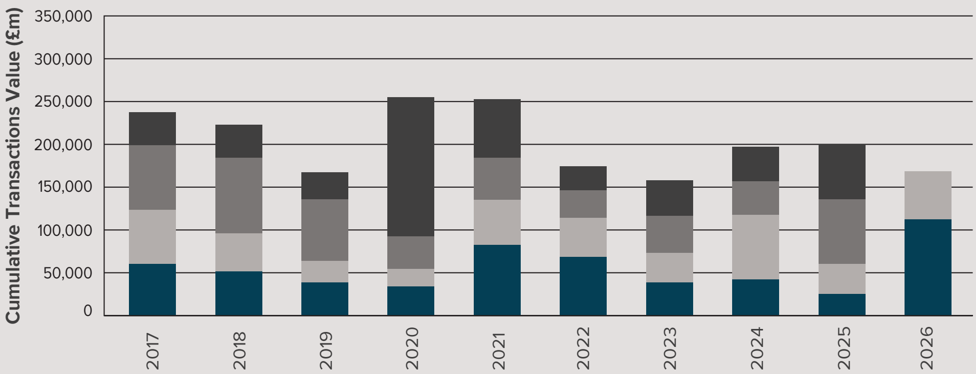
Larger deals (enterprise value of £150 million or more)

Larger deals decreased in both value and volume. The number of transactions was down from 57 to 46, while the value fell more substantially, from the record first quarter total of £112.5 billion when there was one particularly large transaction, to a still strong £56.1 billion.

£150m+ Transactions by Volume in the UK



£150m+ Transactions by Value in the UK



Key:

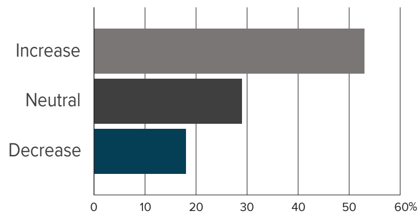
Q4 Q3 Q2 Q1

Data source: PitchBook.
Data as at 30 June 2026.

So what does our latest survey suggest?

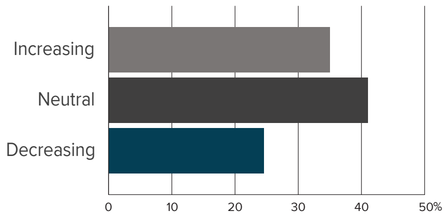
The market's mood is still broadly positive, despite political uncertainty at home and continued conflict in the Middle East, which is putting upward pressure on inflation and interest rates.

1 Do you expect deal volumes to increase or decrease?



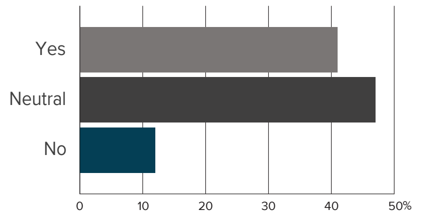
The proportion of participants expecting the number of deals to increase edged down from 59% to 53% over the quarter, while those forecasting a decline rose from 12% to 18%, still below a fifth of the total.

2 Is debt availability increasing, decreasing or neutral?



Even as doubts grow over the US-Iran ceasefire and central bankers threaten rate rises, respondents remained relatively sanguine about debt availability. The proportion reporting an increase held steady at 35%, while those noting a decline rose slightly, from 18% to 24%.

3 Are buyers' and sellers' valuation expectations becoming more aligned?



Interestingly, buyers' expectations for sale values are becoming more closely aligned with sellers'. Some 41% of respondents said they were converging, while only 12% thought they were diverging.

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What impending inheritance tax reforms mean for pension assets

From April 2027, the tax treatment of pensions on death is expected to change significantly. Draft legislation indicates that most unused defined contribution pension funds and associated death benefits will be brought within the scope of inheritance tax (IHT). Samantha Boyd of Rathbones explores the implications.

For many years, pensions have played a distinct role in estate planning. That is now likely to change.

For business owners, the key question isn't just how the rules work, but how they affect long-term financial decisions. Seeking advice is becoming ever more important.

A changing role for pensions

Pensions have traditionally been outside the taxable estate. This created flexibility in terms of IHT planning.

If clients had sufficient assets elsewhere, they could often leave pension wealth untouched, instead drawing from ISAs, cash or taxable portfolios. Pensions became a useful tool for passing wealth between generations tax efficiently.

From April 2027, that approach may be less effective. Pension assets are expected to be included in estate valuations for IHT, alongside property, investments and other holdings when calculating the liability.

The intention is clear: to move pensions back towards their original purpose, providing income in retirement rather than acting as a vehicle for inheritance.

What this means for capital and succession planning

For clients with significant pension savings, the reform introduces two practical considerations.

Estate exposure – pension wealth may now increase the value of an estate for IHT purposes. In some cases, this could push estates beyond the available thresholds, increasing the overall tax liability.

How assets are used over time – the long-standing approach of deferring pension withdrawals may need to be revisited. Clients may want to think differently about when and how they draw on pension assets.

In practice, this could influence how wealth is structured across a lifetime. For example, business owners planning an exit may need to consider pension assets as part of a fully integrated post-sale wealth strategy, rather than as a separate pool of capital.

It also brings a greater focus on liquidity. Estates will need to ensure there are sufficient accessible assets to meet any tax liabilities, including those linked to pension funds.

Governance and administrative considerations

The underlying structure of pensions isn't expected to change.

However, the tax treatment becomes more complex. This creates additional demands for those managing estates:

- pension assets will need to be identified and valued alongside other holdings;
- information may need to be gathered across multiple pensions;
- the timing of tax payments and distributions will require careful coordination.

As a result, clear documentation will become even more important. Up-to-date beneficiary nominations and a consolidated view of assets can help reduce delays and uncertainty.

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Reviewing long-term financial plans

While the reforms aren't yet in force, they're likely to prompt a review of existing strategies. Areas clients and advisers may wish to revisit include:

- the balance between pension and non-pension wealth;
- the timing and sequencing of retirement income withdrawals;
- the role of lifetime gifting and other estate planning approaches;
- the alignment between pension fund nominations and wider estate intentions.

For many, the outcome won't be a single change, but a series of small adjustments over time.

A more integrated approach

The broader implication is that pensions should no longer be viewed in isolation.

Instead, they form part of the overall wealth strategy that supports long-term planning – alongside business assets, investments and property.

For clients, this offers an opportunity to revisit plans and ensure different parts of their wealth are working together effectively. Speaking to advisers and investment managers has never been more important. The rule change reinforces the importance of taking a joined-up view.

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Five legal issues sellers should watch for

The sale of a business is often the most significant financial transaction a founder or director will undertake, yet its legal complexity is routinely underestimated. Most issues can be identified and addressed before the sale process formally begins, provided appropriate advice is obtained early. Ross Montgomery of Mayer Brown highlights five key legal issues to understand when preparing for a sale.

1. Corporate governance and shareholder alignment

Many transactions are complicated by issues within the seller's own corporate structure. Shareholders' agreements and articles of association commonly contain pre-emption rights, drag-along and tag-along provisions or transfer restrictions that must be reviewed and complied with before any sale. Where there are multiple sellers, you should achieve alignment on the decision to sell, an acceptable price range and the process; disagreements surfacing mid-transaction can delay or derail a deal. The corporate structure itself may also need reorganisation if assets have to be moved into the transaction perimeter or a new holding company is required.

2. Tax planning and deal structure

Should you structure the transaction as a share sale or an asset sale? Each has fundamentally different tax and legal consequences. For individual sellers, Business Asset Disposal Relief may reduce the effective rate of capital gains tax, but eligibility conditions must be met for a continuous period before the sale. Where the corporate structure includes a holding company, pre-sale reorganisations such as share-for-share exchanges may be appropriate but often require advance HMRC clearance. Sellers should also consider whether pre-sale transactions might give rise to unexpected tax liabilities or affect the availability of reliefs.

3. Structure of the sale process

How a sale process is structured has significant legal implications. Confidentiality arrangements must be tailored to the type of process, ensuring sensitive commercial information is protected, particularly where potential buyers include competitors. Exclusivity arrangements require careful consideration; sellers should understand what they are committing to and how far they restrict engagement with alternative bidders. Decisions about data room content, the phasing of certain information that is uploaded and the handling of privileged or personal data are legal as well as commercial judgements. Sellers should also consider early whether certain buyers might trigger merger control or regulatory filings, which could affect the timetable or deal certainty.

4. Due diligence readiness

Due diligence is how a buyer investigates the target business, examining commercial contracts, employment arrangements, IP ownership, data protection compliance and dispute history. The process can be intensive, often requiring management to produce large volumes of documentation at short notice. Reviewing and organising key documents in advance helps identify potential issues early. Issues uncovered during due diligence can negatively impact price, lead to additional conditionality or increase the seller's exposure post completion. Sell-side vendor due diligence is increasingly common, allowing sellers to control the narrative around key issues.

5. Warranties, indemnities and disclosure

Warranties and indemnities define the allocation of risk between buyer and seller after completion and are among the most heavily negotiated provisions in any sale agreement. A warranty is a contractual statement about the condition of the business; if it's incorrect, the buyer may claim damages. The disclosure exercise allows the seller to qualify the warranties with known facts and is equally important; poorly prepared disclosures can leave sellers exposed. Indemnities provide pound-for-pound reimbursement for specific risks and are therefore more onerous for sellers. Warranty and indemnity insurance has become increasingly prevalent in mid-market transactions, offering sellers a means of limiting post-completion exposure. Its availability and cost should be considered early in the process.

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