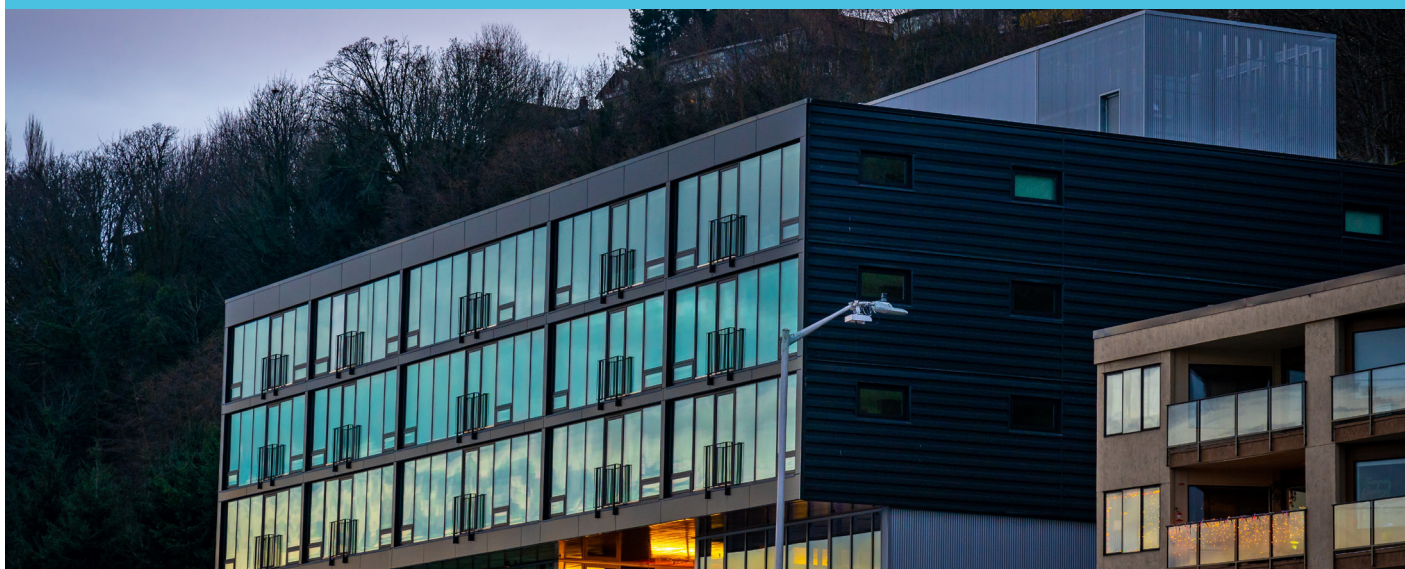




Inheritance Tax Business Relief

Business Relief (BR) is an important tax relief that reduces the value of a business, or its assets, for the purposes of calculating inheritance tax (IHT) on your estate. The rules can be complex; certain exclusions apply so that not all businesses qualify for tax relief and other traps exist that may prevent a claim for BR succeeding.

If BR is fully available, a business asset will be completely free from IHT. The 40% tax charge which would otherwise arise on death, or the 20% tax charge on a lifetime gift to trust, will not apply.

Qualifying businesses

Subject to conditions, BR is available in respect of certain types of qualifying business assets at the following rates:

- The value of an unincorporated (sole trader) business (100% relief)
- The value of a share in a business partnership (100% relief)
- Shares in unquoted trading companies (100% relief)
- Securities in unquoted trading companies giving control (100% relief)
- Controlling shareholdings in quoted companies (50% relief)
- Land and buildings, plant and machinery used in your business partnership or by a company you control (50% relief)
- Land and buildings, plant and machinery owned by a trust and used in the life tenant's business (50% relief)

Generally, to qualify for BR, it is necessary to have owned the qualifying business asset for a period of at least two years. However, special rules may apply in some circumstances to reduce this time period such as if you recently inherited the assets from your spouse or civil partner.

Some types of businesses do not qualify for BR including “hobby” businesses or those involved in land or securities dealing. In addition, residential or commercial property letting businesses do not qualify for BR; nor do businesses that are wholly or mainly involved in making or holding investments.

The new rules are yet to be finalised but they are set to change from 6 April 2026 so that there will be a combined £1million allowance on the value of qualifying business assets and agricultural assets. After this date, 100% BR (including Agricultural Relief) will be available on the first £1million of qualifying assets and then values in excess of this new allowance will benefit from 50% relief. The £1million allowance will refresh every seven years.

Entitlement and excluded assets

The entitlement to BR for some businesses may be less clear cut. For example - caravan parks, hybrid property development and investment businesses, as well as mixed estates involving farming and property letting may (or may not) qualify for BR depending upon the scope and nature of the various activities undertaken.

Problems in maximising entitlement to BR may also occur in circumstances where a business owns “excluded assets”. Generally, these are assets that have never been used in the business, or are no longer required for future use in the business. As innocuous as it may seem, businesses that routinely hold large cash balances are often targeted by HM Revenue & Customs (HMRC) with a view to restricting BR on the basis that cash may be an excluded asset.

Assessing the likelihood of qualifying for BR

At Handelsbanken Wealth & Asset Management, our team of experienced tax advisers is able to assess the likelihood of a claim for BR succeeding given your current circumstances. Where practical and appropriate, we can advise what sensible action to take in order to restructure your affairs and maximise your entitlement for BR in a non-contentious way.

If you require advice in order to understand whether you may qualify for BR, or whether you are affected by any issues that may prejudice your entitlement to relief, please speak to your client director or with your usual branch contact in the first instance.

Contact

To find out more about our services, contact us at enquiries.
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or visit www.wealthandasset.handelsbanken.co.uk

Acceptable Tax Planning

We may provide tax planning services, tailored to a client's individual circumstances, for the purpose of mitigating their UK tax exposure through the use of effective and reliable methods, acceptable to HM Revenue & Customs, in a non-aggressive manner.

We provide advice about UK direct personal taxes only (income tax, national insurance [NIC], capital gains tax [CGT] and inheritance tax [IHT]).

We do not:

- Provide tax advice associated with UK indirect taxes (such as value added tax [VAT], customs duties, stamp duty land [SDLT] tax or stamp duty reserve tax [SDRT])
- Provide UK corporation tax advice
- Provide tax advice relating to any overseas tax jurisdictions
- Design, promote, or condone structures or arrangements which exploit tax legislation artificially in order to obtain a tax advantage.

Important Information

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Although every effort has been made to ensure accuracy, the information provided is based upon our understanding of current tax law and the prevailing practice of HM Revenue & Customs; tax rates and legislation are subject to change. We cannot guarantee to inform you of any such changes and we accept no responsibility for any inaccuracies or errors. Your personal circumstances may affect the outcome of any measures you choose to implement and we recommend you take independent professional advice. We cannot accept responsibility for the consequence of any action taken or failure to take action by a reader on the basis of the information provided. Tax figures and legislation are correct as at April 2024 but are subject to change.