

Inheritance Tax Business Property Relief



Business Property Relief (BPR) 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 BPR succeeding.

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

Qualifying businesses

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

- the value of 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 BPR, 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 such as if you recently inherited the assets from your spouse or civil partner.

Some types of businesses do not qualify for BPR including "hobby" businesses or those involved in land or securities dealing. In addition, residential or commercial property letting businesses do not qualify for BPR; nor do

businesses that are wholly or mainly involved in making or holding investments.

Entitlement and excluded assets

The entitlement to BPR 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 BPR depending upon the scope and nature of the various activities undertaken.

Problems in maximising entitlement to BPR 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 BPR on the basis that cash may be an excluded asset.

Assessing the likelihood of qualifying for BPR

At Handelsbanken Wealth Management, our team of experienced tax advisers are able to assess the likelihood of a claim for BPR 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 BPR in a non-contentious way from a tax perspective.

If you require advice in order to understand whether you may qualify for BPR, 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, who will then refer the matter to a tax adviser.

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 HMRC, in a non-aggressive manner.

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

We do not:

- provide tax advice associated with UK indirect taxes (such as VAT, customs duties, stamp duty land tax or stamp duty reserve tax)
- 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.

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