Understanding Business Relief and Business Relief Schemes

What is Business Relief ?

You may be able to claim relief on your inheritance tax bill by up to 50% or 100% where you are an owner of, or have interest in, a business after an initial qualifying ownership period of two years.

Should you qualify for Business Relief you could claim 100% relief on:

- a business or interest in a business (for example, as a sole-trader or as part of a partnership); or
- shares in an unlisted company, including those traded on the Alternative Investment Market (AIM)*.

You could also get 50% relief on:

- shares that control more than 50% of the voting rights in a listed company;
- land, building or machinery you own and that are used in a business that you own or have an interest in; and
- land, buildings or machinery used in your business and held in a trust that the business has rights to benefit from.

****Please note that AIM listed shares are high risk and can fluctuate widely in value.***

The Financial Conduct Authority does not regulate tax advice and Inheritance Tax Planning.

Business Relief Schemes

An IHT Business Relief Scheme is a specialist discretionary managed investment that invests in a portfolio of unlisted and / or AIM-listed companies that qualify for Business Relief(BR).

The primary objective of this investment is to help reduce the potential inheritance tax (IHT) bill that could be due on the investor's estate.

Investing in companies that qualify for BR provides the following IHT benefits:

- The investment will be exempt from IHT after just two years, provided it is still held at the time of death and remains qualifying.
- Unlike gifting strategies involving Potentially Exempt Transfers or Chargeable Lifetime Transfers, control of capital is retained and there is no requirement to survive seven years to avoid IHT.
- If an individual takes a withdrawal from their investment, they will only pay tax on the growth achieved on that portion of the investment.
- This growth will normally be seen as a capital gain, but it may be subject to income tax if the withdrawal is facilitated via a share buy-back.
- In either case, it is only the growth that is taxed, not the full amount withdrawn.
- No capital gains tax is payable on any gain that falls within the annual tax-free exemption.

Important Information

Our advice has been prepared based on our company's understanding of the current law and HM Revenue and Customs' practice. Whilst we believe the interpretation is correct we cannot guarantee it. Tax treatment may change in the future.

PLEASE REFER TO OUR SEPARATE DOCUMENT 'GENERAL AND INVESTMENT RISK WARNINGS' FOR ADDITIONAL INFORMATION RELATING TO THE RISKS OF INVESTING.

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