

HOW BUSINESS OWNERS CAN AVOID THE BURDEN OF INHERITANCE TAX ON THEIR BUSINESS ASSETS

by Harpreet Talwar, solicitor at Midlands-based private client law firm Meridian Private Client LLP



Harpreet Talwar, solicitor at Meridian Private Client LLP

Business owners can benefit from a valuable relief termed Business Property Relief ('BPR') which can mean no inheritance tax (IHT) to pay on the death of the owner, shareholder or partner.

There are various preconditions for full relief to be available. In order to qualify for BPR, the business must be a trading entity, as opposed to an investment business. The detailed rules are different, dependent upon whether the trade is run as an unincorporated business or via a limited company.

If a trade is operated via a limited company, the company must be wholly or mainly a trading company. However, care should still be taken to avoid losing the relief in part or full if large amounts of surplus cash are built up within the company or used to acquire investments.

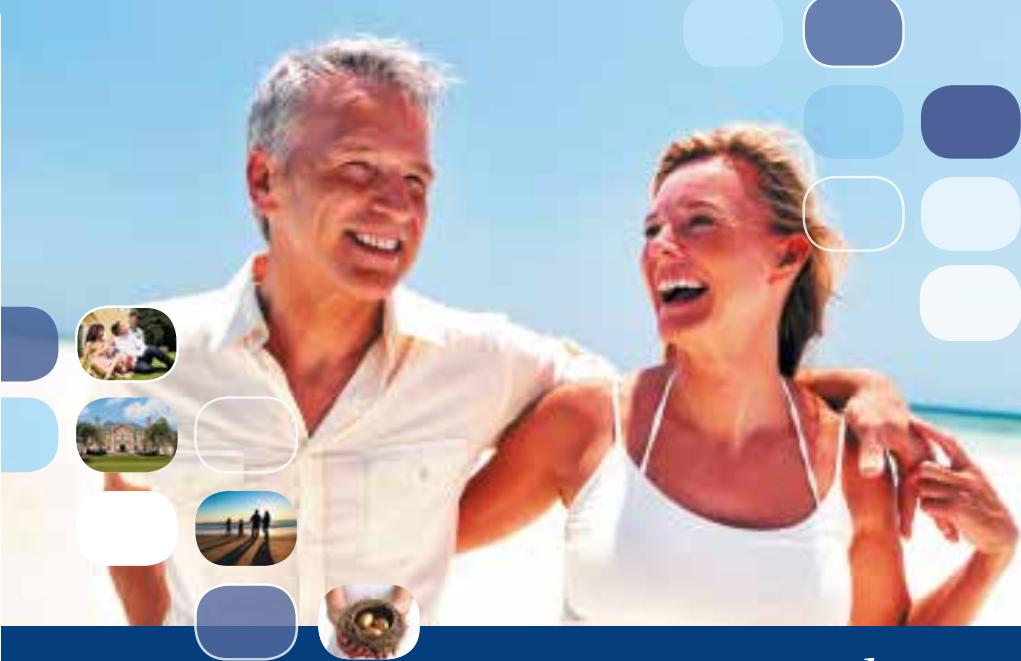
The structure of a business may also have an impact on the availability of BPR. For example,

a shareholding in a trading company will normally attract BPR at 100%, giving an effective exemption from IHT where all the relevant conditions are met. However, land and buildings owned in an individual's name but used by the business would attract a maximum of 50% BPR. If, instead, the business premises were owned by the trading company, 100% BPR may be available on everything combined.

Once the availability of BPR has been considered, the individual's interest in the business can be specifically catered for in his or her Will. To avoid a large IHT liability on death, it is common for a married couple to leave most of their assets to each other on the first death. However, if BPR is available, the business interest could instead be left either to adult children or to a family trust without attracting any charge to IHT. More complex planning may bring additional benefits.

Business owners also need to be aware that, if their business is sold for cash, what may in effect have been an IHT exempt asset will have been converted into something which is fully exposed to IHT. Planning can be taken before a sale, to make use of available BPR, and after a sale, to shelter the cash proceeds from IHT.

It is also worth considering how the business would be run if the business owner were to become incapacitated. A specific business-related power of attorney may be helpful in



Our specialist firm of private client and tax lawyers is focused on helping clients to ensure that their assets are passed on in line with their wishes.

We work with clients to ensure not just that their wishes are carried out but also that inheritance tax bills are minimised and assets are protected.

Our services include advice on Wills, powers of attorney, trusts and long-term tax planning, all tailored to clients' needs and we are able to provide an indication of likely fees at the outset.

For further information, please email harpreet.talwar@meridianpc.co.uk or call 01675 442430
www.meridianprivateclient.co.uk

Wood Rydings Court, Packington Lane, Little Packington, Warwickshire CV7 7HN

addition to more general powers of attorney.

Ideally, the availability of BPR should be considered as part of an individual's Will and estate planning. Business owners should be planning ahead and taking specialist legal advice

to make best use of reliefs from IHT as well as considering what can be done if the worst happens.

www.meridianprivateclient.co.uk

Meridian
SOLICITORS

Meridian Private Client LLP