



fmifa

30
YEARS

A Guide to Business Relief

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Estate Planning
and Inheritance Tax

Protecting your wealth
for future generations

“Business Relief provides a terrific option for clients looking to invest efficiently against Inheritance Tax. My clients love the fact that they keep ownership of the investment, rather than being required to give the money away or set up complicated trusts”

**Philip Harper,
Financial Planner**

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Business Relief Explained

Investments that qualify for BR can be passed on free from inheritance tax upon the death of the investor, provided the shares have been owned for at least two years at that time.

Why Business Relief exists

Business Relief (BR) has come a long way since it was first introduced in the 1976 Finance Act. Then, its main aim was to ensure that after the death of the owner, a family-owned business could survive as a trading entity, without having to be sold or broken up to pay an inheritance tax liability. Over time, successive governments recognised the value of encouraging people to invest in trading businesses regardless of whether they run the business themselves. BR is a well-established Government backed relief dating back 40 years.

The types of business that typically qualify for BR

Not every investment or interest in a business will qualify for BR, but will typically be available for:

- Shares in an unquoted qualifying company, even a minority holding
- Shares in a qualifying company listed on the Alternative Investment Market (AIM)
- An unincorporated qualifying trading business, or an interest in one – a partnership, for example.

Most recently, the UK Government's decision in 2013 to allow AIM-listed shares to be held within Individual Savings Accounts (ISAs) means that investors can now hold BR-qualifying shares within a tax-efficient ISA wrapper.

Key benefits of a BR-qualifying investment

Investing in the shares of BPR-qualifying companies can be beneficial if you fit into one of these categories:

- **Speed** - Making gifts or settling assets into trust usually takes seven years to become completely free from inheritance tax. But an investment in a BR-qualifying company can be passed down to beneficiaries free of inheritance tax on the death of the shareholder provided it has been held for at least two years at that time.
- **Access and control** - Owning BR-qualifying shares allows one's wealth to stay in their own name. Importantly the investor retains access to the investment. If circumstances change, access to the capital is available at any time, although money withdrawn will no longer be exempt from IHT. There is also the option to take a regular withdrawal from the product or leave any returns within the investment.
- **Simplicity** - Unlike some IHT products, an investment into a BR qualifying Investment does not involve complex legal structures, underwriting or require investors to undertake any medical reports.

“A two year horizon compared to the ‘seven year IHT rule’ makes this a popular option with many clients.” Jack Smith, Financial Planner

What are the risks?

- **Capital is at risk** - To qualify for BR, a company must not be listed on a main stock exchange. Such companies could fall in value, and investors may get back less than they invest. Don't invest unless you're prepared to lose all the money you invest.
- **Tax rules and reliefs can change** - Tax rules could change in the future. The value of tax reliefs will depend on an investor's personal circumstances. There is no guarantee that companies that qualify today will remain BR qualifying in the future.
- **Shares could be more volatile and less liquid** - Investments in unquoted companies or those quoted on AIM can fall or rise more sharply than shares in larger companies listed on the main market of the London Stock Exchange and may be harder to sell.

What's next?

Please call us if you'd like to learn more about this subject.