

FOR INVESTMENT PROFESSIONALS ONLY

Client who sold a business and looking to retain BR

Case Study

Denise is a widower who ran a successful business. She was recently diagnosed with a terminal condition and is expected to have medical bills and care costs in the future. She did not build significant savings outside of the business to maintain her lifestyle and so she has taken the decision to sell the business itself. She would like to use half of the proceeds to fund her retirement and the other half to be left to her son without him incurring a large inheritance tax bill.

Due to Denise’s condition solutions such as gifts and trusts will not be suitable as they will take 7 years to become free of inheritance tax and there is a strong possibility that Denise’s estate will be wound up before then.

FACT!

Business Relief allows a family business to be passed to beneficiaries free from inheritance tax. But if the business owner were to instead sell the business then this benefit would be lost. Unless however the proceeds were reinvested into another BR qualifying asset or assets within 3 years. In that case, the BR benefit would be reinstated and the assets would qualify for 100% IHT relief.

Solution

If Denise was to invest some of the proceeds into a Fundamental AIM IHT portfolio within 3 years of the sale of the business then that portfolio would continue to qualify for business relief and Denise’s son could receive the sum free from IHT.



The Importance of IHT Planning



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