



INTEGRITY

PART OF BROOKS MACDONALD

BUSINESS RELIEF





What is Business Relief?

Business Relief (BR) was introduced as part of the 1976 Finance Act in order to allow small businesses to be passed on through generations without incurring an Inheritance Tax (IHT) liability. The scope of BR has evolved over the years to become a method of investing for individuals looking to reduce a potentially large IHT liability at the time of their death.

Unquoted

Privately owned companies that are not listed on the main London Stock Exchange (LSE) and carry out a qualifying trade.

Which companies qualify for BR?

Qualifying trades

Companies must carry out a qualifying trade. Companies that don't typically qualify include mining, investment and property companies.

Quoted

On the Alternative Investment Market (AIM) and carry out a qualifying trade.

..... The Benefits



Access and Control

Unlike a trust-based plan, with a BR investment you maintain full control of and access to your money at all times*.



Rapid IHT Exemption

Unlike gifts and trusts, which typically take up to seven years before they are fully exempt from IHT, BR-qualifying investments are IHT exempt after just two years provided that the investments are still held at the time of death.



Inter-Spousal Transfer

Should you die before the two-year qualifying period is complete, your shares can be passed on to your spouse or civil partner without resetting the two-year clock.



Simplicity

BR investments are relatively straightforward. Generally there are no complex legal structures. There will not be a requirement for medical underwriting regardless of age or health.

Note: HMRC only ever considers a company's qualification for BR at death. It is not possible to get pre-approval that a company will qualify.

*Investors should be aware that withdrawing funds may give rise to a tax liability on any gains realised and should remember that the amount withdrawn may lose business relief qualifying status. These types of investments can be harder to sell if not readily marketable and the timing of any realisation cannot be predicted. Some providers may also charge a fee on exit.

Additional Benefits

Conservative Investment Mandate

The Investment Manager will typically look for companies that have predictable revenue streams and are backed by easily valued assets. Investments in companies in sectors such as infrastructure can earn government-backed subsidies for as much as 20 years.

No impact on Nil-Rate Band (NRB)

BR planning does not affect the NRB thus complementing and legislatively diversifying other Trust and Gift based IHT planning that does impact the NRB.

Replacement Property Provision

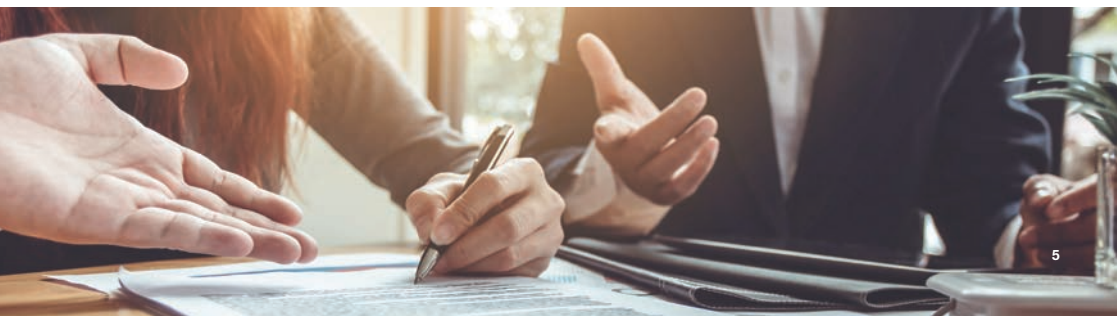
Qualifying BR investments can be switched to an alternative BR qualifying investment without restarting the two year clock.

Succession Planning

When passed to a beneficiary BR assets remain, in some circumstances, exempt from IHT.

Age Is Just a Number

There is no age limit for investment into BR, so it's never too late or early to consider.



The risks

Tax rules

are subject to change.

If you do not hold the investment at the time of death, you will lose the tax exemption.

Investing in small companies is inherently risky. These companies may not perform as hoped and in some circumstances may fail completely.

Your capital is at risk; you may not get back as much as you put in and in the worst case scenario you could lose all of your capital.

BR investment should be considered as a longer term investment and may be higher risk and more difficult to realise than other securities listed on the London Stock Exchange.



Who could benefit from BR investing?

A client who:

wants to shelter their assets from inheritance tax
while retaining access to their capital.

feels they have
left estate planning too late.

has a power of attorney in place
and wants to mitigate inheritance tax.

has sold their business
within the last three years.

has loan trusts and is concerned about the inheritance tax
due on the initial capital.

would like to put more than the Nil-Rate Band (NRB)
into a discretionary trust.

is a trustee looking to mitigate the impact of
periodic charges or exit charges.

is an individual looking to set up a family investment company
with inheritance tax efficiency.

holds cash
and is looking for a better rate of return.

has IHT issues,
but doesn't feel ready to plan.



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