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# BUSINESS PROPERTY RELIEF



## We help plan your financial future

Everyone is entitled to arrange their affairs in various ways to minimise their liability to tax which is fair and legally acceptable. There are various taxes which occur in someone's lifetime and Inheritance Tax may be payable in the event of a death. We can advise on a wide range of structures to mitigate tax which can result in savings for several generations.

## What is Business Property Relief?

One of the most valuable reliefs for Inheritance Tax (IHT) is Business Property Relief (BPR). This can reduce or avoid the charge to IHT on business assets of unlimited value and applies not just to those who are actively engaged in a business. It applies on a gift during lifetime and also on death. In this leaflet we describe the person giving or dying as the transferor.

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# What types of business qualify for BPR?

The relief is available on:

- A business or an interest in a business e.g. a share in a partnership - 100% relief.
- A holding of shares in an unquoted company which includes shares in the Unlisted Securities Market and the Alternative Investment Market - 100% relief.
- A controlling holding of shares in a quoted company - 50% relief.
- Land, buildings, plant or machinery owned by a partner or controlling shareholder and used wholly or mainly in the business of the partnership or company immediately before the transfer. The relief also applies if the transferor was the beneficiary of a Life Interest Trust - 50% relief.

# What types of business are not covered by BPR?

Not all businesses will qualify for BPR. It must be carried on for gain. It is not available for a business wholly or mainly engaged in dealing in securities, stocks or shares, land or buildings, or in making or holding investments.

An asset will not attract relief if it is:

- Not used wholly or mainly for the purpose of the business throughout the two years immediately before the transfer.
- Not required at the time of the transfer for the identified future use for the purpose of the business, or
- Used wholly or mainly for the personal benefit of the transferor or a person connected with the transferor, such as a close relative.



## Using the relief

BPR is generally available only if the relevant business property was owned by the transferor in the 2 years before the transfer. The relief applies to a lifetime gift although in certain circumstances if the transferor dies within 7 years of the gift the relief can be clawed back.

BPR can be of particular help in the case of a person owning shares in a family business. While the shares are owned they will qualify for BPR, but once a business has been sold the proceeds from the shares will cease to qualify for relief unless reinvested in another business which qualifies for relief.

The owner may be happy to set aside some shares in a business for the benefit of e.g. children by using a trust structure. If this is done before the business is sold, BPR should be triggered and the fact that the business is subsequently sold will not affect the availability of relief (unless clawback applies). This can be a very effective way of passing wealth down generations without incurring IHT.

It will be seen therefore how valuable BPR is as a relief. It enables assets of substantial value to be transferred from one generation to another without any liability to IHT. In the case of a claim to BRP on death the relief will not prevent the executors/beneficiaries selling business assets free of IHT.

## Get in touch

If you would like to find out more information about Business Property Relief, please visit our website or contact one of our offices.

[www.bowcockpursaill.co.uk](http://www.bowcockpursaill.co.uk)

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