



**BOWCOCK
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SOLICITORS

BUSINESS PROPERTY RELIEF



Business property relief (BPR) is a form of tax relief which allows you to claim inheritance tax (IHT) relief on business assets you own.

BPR can reduce, or help avoid altogether, the charge of inheritance tax on business assets – this is active up to an unlimited value. It also applies not just to those who are actively engaged in a business and applies on a gift during lifetime and death.

Using the relief

Typically, business property relief is only available if the relevant business property was owned by the transferor two years prior to transfer.

The relief applies a lifetime gift. In certain circumstances, however, the relief can be clawed back if the transferor dies within seven years of the gift relief.

BPR can be particularly helpful in the case of a person owning shares in a family-owned business. The shares are owned in this case and will qualify for BPR, but once a business is sold, the proceeds from the shares will not qualify for relief unless reinvested into a separate business which does qualify for relief.

The owner may be happy to set aside shares in a business for the benefit of, for example children, by using a trust. If this is done before the business is sold, BPR will be triggered, and the sale will not affect the availability of relief – unless clawback applies.

This can be a good way of passing wealth down generations without having to pay inheritance tax. In the case of a claim to BPR on death, the relief will not prevent the beneficiaries selling business assets free of inheritance tax.

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

BPR is available on:

- A business or investment in a business (100% relief).
- A holding of shares in an unquoted company which includes shares in the Unlisted Securities Market and Alternative Investment Market (100% relief).
- A controlled holding of shares in a quoted company (50% relief).
- Land, buildings, plants or machinery owned by a partner or shareholder and used mainly in the business before transfer (50% relief).

Not all businesses will qualify for BPR

A business will not qualify for BPR if it deals with securities, stocks or shares, land or buildings, or making or holding investments. Where a business does not qualify for business property relief, it must be carried on for gain.

An asset will not qualify for relief if it:

- Isn't used mainly for the purpose of the business during the two years prior to transfer.
- Isn't required at the time of transfer for the identified future use for the purpose of the business.
- Is used mainly for the personal benefit of the transferor or a person connected with the transferor.

CONTACT US

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