

*Mr Greencoat invested the proceeds from the sale of his business to protect the capital from inheritance tax and defer the Capital Gains Tax.*

#### KEY POINTS

- ★ **Business Owners:** qualifying clients can benefit from multiple tax reliefs
- ★ **IHT Relief:** immediate IHT relief for qualifying business owners
- ★ **Control:** access to capital maintained throughout
- ★ **Tax efficiency:** maintain eligibility for Entrepreneurs' Relief

#### THE CLIENT

Mr Greencoat inherited the family's electronic manufacturing business twenty years ago and has recently sold the business and is now looking forward to a full and happy retirement.

Mr Greencoat was fortunate to receive £5 million in cash from the sale of the business and is also no longer working for the company.

Mr Greencoat is 65 and his wife is 62, they have two children both of whom have forged a good start in their respective professional careers.

Mr & Mrs Greencoat now need to start making definitive plans for their legacy and are aware that they have an estate significantly above the IHT nil rate band. Their financial adviser has also made them aware of Entrepreneurs' Relief and they have some time before any payment of tax is due. Ten years ago, their adviser also recommended a number of trusts be set up for the children.

The Greencoats are therefore exploring options for the windfall gain on the sale of the business.

#### Inheritance Tax Planning

Their financial adviser has discussed the use of Business Relief for the Greencoats, particularly since they had the potential benefit of this relief whilst they owned the company. This appealed to them and once the benefits of setting up their own company with Stellar, through ESP Business, the idea that they would continue to get 100% relief on the capital was extremely attractive. Their adviser was able to confirm that as they had run the company for more than two years, the IHT relief would not be lost and therefore **continued full relief from IHT from the amount invested was available immediately.**

The adviser noted that this was available under the Replacement Provisions of Business Relief.

*Please see over*

#### Important Information

Stellar Asset Management Limited does not offer investment or tax advice or make recommendations regarding investments. Prospective investors should ensure that they read the information memorandum and fully understand the risk factors before making any investment decision. This document is dated **March 2018** and is exempt from section 21 of the Financial Services and Markets Act 2000 and is not required to be and has not been approved for the purposes of the section because it is only being communicated to selected Investment Professionals (as defined under article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005). If this document is forwarded to any other person, you must ensure that you have taken responsibility for the document under the financial promotions rules and identified yourself as the issuer. Stellar Asset Management Limited of Kendal House, 1 Conduit Street, London W1S 2XA is authorised and regulated by the Financial Conduct Authority.



## Capital Gains Tax Planning

As noted earlier, the Greencoats had been made aware that the proceeds would qualify for Entrepreneurs' Relief. The business was inherited 20 years ago and therefore it is likely that most of the proceeds would be considered a taxable gain and this was being reviewed by the Greencoats' accountant. Entrepreneurs' Relief would restrict CGT to 10% of the gain at c. £500,000.

The adviser again pointed out that this can be **mitigated entirely if the proceeds are reinvested in a qualifying business**. It was certainly welcome news that an investment ESP Business could also achieve this. The Greencoats agreed to read up on Business Asset Rollover Relief but liked the flexibility it provided, as it meant they could get both relief on some or all of the proceeds.

Finally, their adviser also stated that an investment in Enterprise Investment Scheme (EIS) qualifying companies would also enable the gain to be sheltered (an unlimited amount for capital gains tax). An EIS investment also benefits from Business Relief.

## OUR SOLUTION

A few weeks later, and following meetings with both their accountant and financial adviser, the Greencoats invested £5 million in Stellar ESP Business, as they had already made provision for living expenses.

The capital was invested in their name and allowed the Greencoats to pass a tax free legacy to their children, with immediate relief from IHT of £2 million and a deferred capital gain of at least £500,000.

### Important Information

Stellar Asset Management Limited does not offer investment or tax advice or make recommendations regarding investments. Prospective investors should ensure that they read the information memorandum and fully understand the risk factors before making any investment decision. This document is dated **March 2018** and is exempt from section 21 of the Financial Services and Markets Act 2000 and is not required to be and has not been approved for the purposes of the section because it is only being communicated to selected Investment Professionals (as defined under article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005). If this document is forwarded to any other person, you must ensure that you have taken responsibility for the document under the financial promotions rules and identified yourself as the issuer. Stellar Asset Management Limited of Kendal House, 1 Conduit Street, London W1S 2XA is authorised and regulated by the Financial Conduct Authority.