



Mr Thompson invested cash from his trading business to protect his business from inheritance 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 Thompson is 62 and is the sole owner of Thompson Electricals, a business he started in 1985 and built up a chain of 10 stores in the East Midlands. He sold the stores six months ago and Thompson Electricals is now awash with cash of £6 million arising from the proceeds of sale. He has been in discussions with his financial adviser and accountant recently as to how he could utilise these proceeds as tax efficiently as possible.

Mr Thompson decided that he is looking forward to a less active future and has no desire to start another business now grandchildren have arrived. As Thompson Electricals has been a successful business, he was able to draw substantial earnings over the last 10 years which has been invested wisely and he has also contributed fully to his pension. He therefore has no immediate need for the capital in the company.

His advisers have made Mr Thompson aware of Entrepreneurs' Relief, which would reduce his capital gains tax to 10%, and Enterprise Investment Schemes which could shelter unlimited amounts of capital gains.

However, following a briefing that the financial adviser attended recently it became clear that a third opportunity existed.

OUR SOLUTION

Mr Thompson could keep the company and reinvest the cash proceeds in new trading businesses and would claim Business Asset Rollover Relief which would result in no capital gains tax being paid.

He was specifically recommended the ESP Business Portfolio Service offered by Stellar as they are the only provider that can use the capital in Thompson Electricals in situ. Stellar would commit the surplus cash in the company to a range of asset backed, uncorrelated trading activities and could continue to pay Mr Thompson dividends to supplement his pension.

Mr Thompson has the choice to allow Stellar to run the company on a discretionary basis or maintain an active involvement but was happy to appoint Stellar directors to the board.

OUTCOME

Mr Thompson had achieved a number of things using Stellar ESP Business

- A simple way of deploying capital from his existing business.
- No liability to capital gains tax.
- Continued eligibility for Business Relief (BR) which would lead to a 100% reduction in IHT on the value of company.
- An ability to take out income without prejudicing capital.
- Exposure to asset backed investments not available under EIS legislation.
- Continued eligibility for Entrepreneurs' Relief which would lead to reduced rates of CGT if Mr Thompson decides to sell his ESP Business portfolio.

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