

CASE STUDY

Legacy planning on the sale of a business



Overview

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

For investment professionals only

Meet Mr Greencoat

Mr Greencoat inherited the family's manufacturing business twenty years ago and has recently sold the company and is looking forward to retirement.

Mr Greencoat received £5 million from the sale of the business and now no longer works for the company. Mr Greencoat is 65 and his wife is 62, they have two children both of whom have had a good start to their respective professional careers.

Mr & Mrs Greencoat now need to start making definitive plans for their legacy and have an

estate significantly above the IHT nil-rate band. Their financial adviser has made them aware of Entrepreneurs' Relief and they have some time before any payment of tax is due. Ten years ago, their adviser recommended a number of trusts be set up for the children. The Greencoats are therefore exploring options for the gain on the sale of the business.



Inheritance Tax Planning

Their financial adviser has discussed the use of Business Relief for the Greencoats, since they had the potential benefit of this relief whilst they owned the company. By setting up their own company through The Stellar Family Trading Companies Service, they should continue to get 100% relief from IHT on the capital invested. Their adviser confirmed that because they had owned the company for more than two years, the IHT relief could be reinstated by investing an amount, up to the proceeds of the sale of the old company, in The Stellar Family Trading Companies Service. The IHT relief would be available once The Stellar Family Trading Companies Service are trading. The adviser noted that this was available under the Replacement Provisions of Business Relief.



Capital Gains Tax Planning

As noted earlier, the Greencoats had been made aware that up to £1 million of the proceeds should qualify for Entrepreneurs' Relief.

The adviser again pointed out that this can be mitigated entirely if the proceeds are reinvested in a qualifying business. The Greencoats liked this because it meant they should save a significant amount of CGT and benefit from 100% relief from IHT.



Our Solution

A few weeks later, and following meetings with both their accountant and financial adviser, the Greencoats invested £5 million in The Stellar Family Trading Companies Service.

If the Greencoats held the shares in the Stellar Business Company until their deaths then the CGT would be permanently saved.

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 potential saving of a significant amount of CGT.



Key Features



Tax Efficiency

Qualifying clients can benefit from multiple tax reliefs.



IHT Relief

Immediate IHT relief for qualifying business owners.



Control

Clients retain ownership of their capital so they keep control.



Important Information

Risk warning: Your capital is at risk. Investments can fall as well as rise and investors may not get back the full amount invested. Investments in unquoted companies are less liquid and are higher risk than larger companies. The rates of tax, tax benefits and tax allowances described are based on current legislation and HMRC practice. They are not guaranteed, are subject to change and depend on personal circumstances. Please refer to the latest product literature before investing; your attention is drawn to the risks and fees contained therein.

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We're here to help

Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at enquiries@stellar-am.com

For further information, please visit www.stellar-am.com

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