

CASE STUDY

Legacy planning for a trading business



Overview

Mr Thompson invested cash from his trading business to provide relief from inheritance tax (IHT).

For investment professionals only

Meet Mr Thompson

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 from the East Midlands.

He sold the stores six months ago and his company, Thompson Electricals now has cash of £6 million arising from the sale proceeds. He has sought advice, from his financial adviser and accountant, how he could utilise these proceeds as tax efficiently as possible. Mr Thompson is looking forward to a less active future and has no desire to start another business now his grandchildren have arrived.

As Thompson Electricals has been a successful business, he was able to draw substantial earnings over the last 10 years which have been invested wisely, and he has also contributed fully to his pension. He has no immediate need for the capital in the company.

Following the sale of the stores, Thompson Electricals has a capital gain which will result in a significant corporation tax bill.



Our Solution

Mr Thompson was specifically recommended the Stellar Family Trading Companies Service so he could use the capital in Thompson Electricals in situ. This means Mr Thompson could not only keep the company, but also reinvest the surplus cash into a range of new business activities, which should qualify for Business Relief. As Mr Thompson has owned his shares in Thompson Electricals for more than two years, the Shares should be free from IHT once the qualifying business activities are underway.

Mr Thompson's accountant also pointed out that Thompson Electricals may be able to take advantage of Business Asset Rollover Relief to defer the corporation tax payable by acquiring new business assets. Mr Thompson was happy to appoint Stellar as directors to the board, but was pleased to be given the choice to have an active involvement in the future, if he so wished.



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.



Outcome

Mr Thompson and Thompson Electricals had benefited from the Stellar Family Trading Companies Service, as follows.

- ★ Reduce corporation tax payable on the gain from the sale of the stores, by claiming Business Asset Rollover Relief.
- ★ Continued eligibility for Business Relief (BR) which should lead to a 100% reduction in IHT on the value of the company.
- ★ Continued eligibility for Entrepreneurs' Relief which should lead to reduced rates of CGT if Mr Thompson decides to sell his portfolio.



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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Get in touch

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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