

CASE STUDY

Stellar talks tax



**Corporate Business
Relief**

For investment professionals only

Corporate Business Relief

Until the October 2024 budget, most small businesses over two years old were completely outside of the Inheritance Tax charge because they qualify in full for Business Relief.

However, where businesses hold excess cash, which is not allocated to specific upcoming activity, Business Relief is unlikely to be granted (a buffer to protect against unexpected events at some unknown time is insufficient for HMRC to grant Business Relief).

Such a situation would previously have resulted in a loss of 100% on the relevant funds and for deaths after 6 April 2026, could either lead to 100% Business Relief loss, or 50% on amounts above the £1 million cap.

However, using Replacement Business Property rules, any assets that qualify for Business Relief can be disposed of and replaced without the need to reset the two-year holding period required to obtain the relief. At Stellar we also offer services specifically designed to address the issue of excess non-trading assets within a business by utilising the surplus cash in Business Relief qualifying investments.

Sarah, 67 and in good health, owns 100% of the shares (unquoted) of a successful shop that has been in her family for generations. She has used her NRB and RNRB.

This trading business is valued at £3.2 million, but £800,000 of that is sitting in the company's bank accounts in cash and will not qualify for Business Relief since it is not being used for trading purposes and isn't earmarked for future identifiable business use. That means it will be considered an 'excepted asset' by HMRC and a proportion of the value of the shares wouldn't qualify for Business Relief. This could cost Sarah's estate £320,000 on death (£800,000 x 40%).



IHT Calculation

BR qualifying shares	£3.2 million value less £800,000 excepted assets = £2.4 million
	100% of IHT liability (40% of £2.4 million) of £960,000 fully relieved
	No Business Relief qualification or IHT relief on excepted assets of £800,000, leaving IHT liability of £320,000

Total relief	£960,000
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Pre budget

If, before Sarah's death, a corporate Business Relief service puts in place a structure to utilise the excess cash in Business Relief qualifying trading activities within the business, retaining access to it if required, the new assets should immediately qualify for Business Relief as its main activity is Business Relief qualifying and makes up more than 50% of the activity of the business.

IHT Calculation

BR qualifying shares	£3.2 million 100% of IHT liability (40% of £3.2 million) of £1,280,000 fully relieved
Total relief	£1,280,000

Post budget

IHT Calculation (from 6 April 2026)

BR qualifying shares	£3.2 million value less £800,000 excepted assets = £2.4 million 100% of IHT liability (40% of first £1 million) of £400,000 fully relieved 50% of IHT liability of Business Relief qualifying assets over £1 million (20% of £1.4 million), leaving £280,000 IHT payable No Business Relief qualification or IHT relief on excepted assets of £800,000, leaving IHT liability of £320,000 (Giving an IHT total of £320,000 + £280,000 = £600,000)
Total relief	£680,000

Using the corporate BR service, such as our Family Trading Companies, would still capture a 50% reduction in the IHT liability due on the £800,000 excepted asset.

IHT Calculation (from 6 April 2026)

BR qualifying shares	£3.2 million 100% of IHT liability (40% of first £1 million) of £400,000 fully relieved 50% of IHT liability of Business Relief qualifying assets over £1 million (20% of £2.2 million), leaving £440,000 payable
Total relief	£840,000



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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