

CASE STUDY

Stellar talks tax



Business Sale Proceeds and Trust Planning with Business Relief

For investment professionals only

Janinie is 63 and is keen to put £1.5 million cash from the sale of her business a few months ago, into a discretionary trust for her grandchildren. The business undertook BR activities for ten years.

She has already used her NRB by establishing other trusts and making personal gifts. Consequently, Janinie would be liable for the chargeable lifetime transfer into trust: 20% charge on £1.5 million = £300,000 CLT payment.

To avoid the charge, Janinie reinvests the money into BR within three years of the sale of the business. She can then immediately move the assets into trust with the chargeable lifetime transfer charge at 0% thanks to BR qualification.

If Janinie dies within seven years of settling the shares into trust and if the trustees disposed of the Business Relief qualifying assets within those seven years, the transfer into trust would

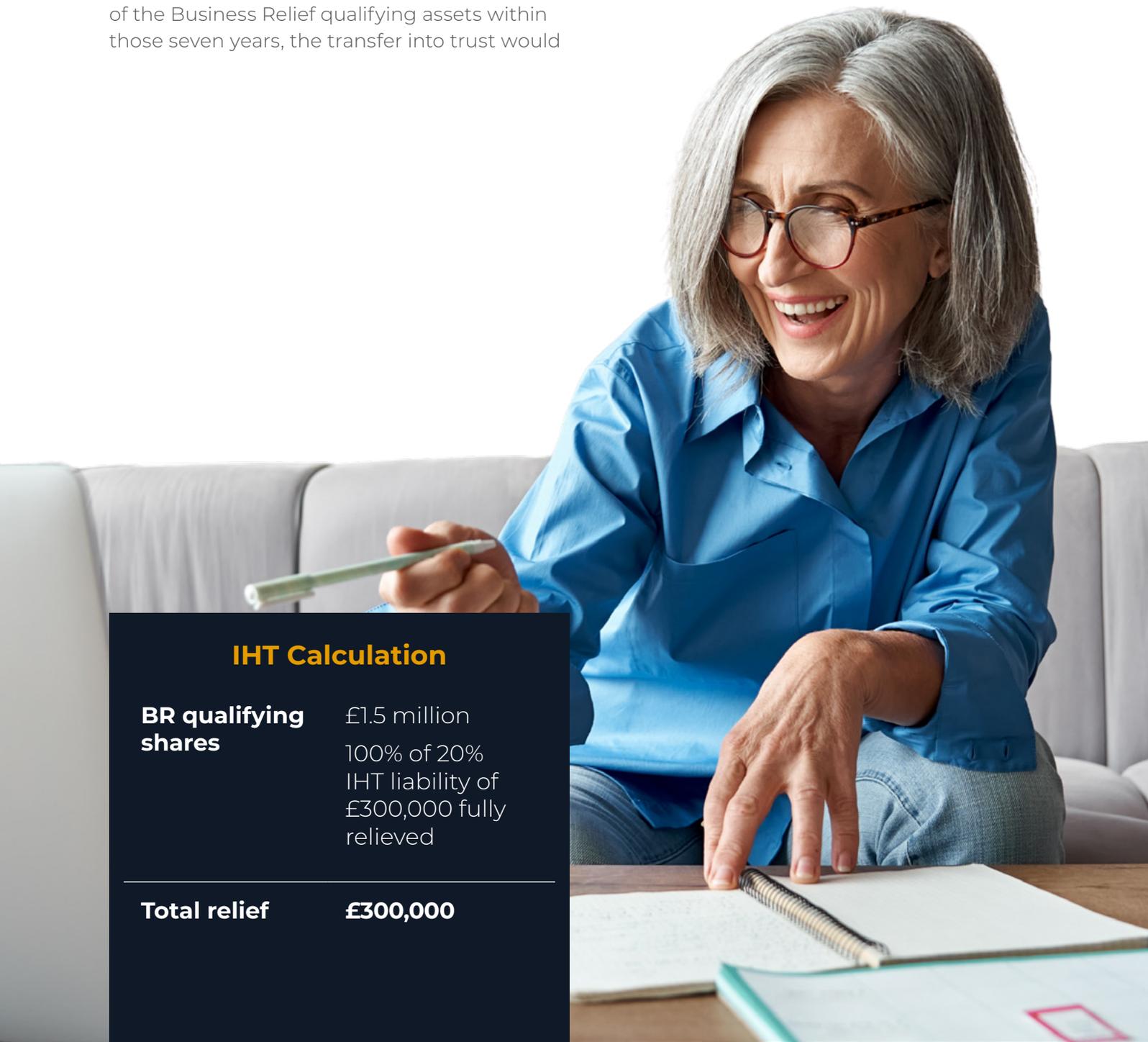
fall back into charge and IHT would become payable on the amount by which the value transferred exceeded the NRB.

If the trustees hold the Business Relief qualifying investment for a minimum of two years and the asset itself continues to qualify for Business Relief, no periodic or exit charges will arise.

IHT Calculation

BR qualifying shares	£1.5 million 100% of 20% IHT liability of £300,000 fully relieved
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Total relief	£300,000
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Post budget solutions

Janinie reinvests the proceeds of the sale of the business into BR, holds them for two years and then immediately moves the assets into a trust on 6 April 2026.

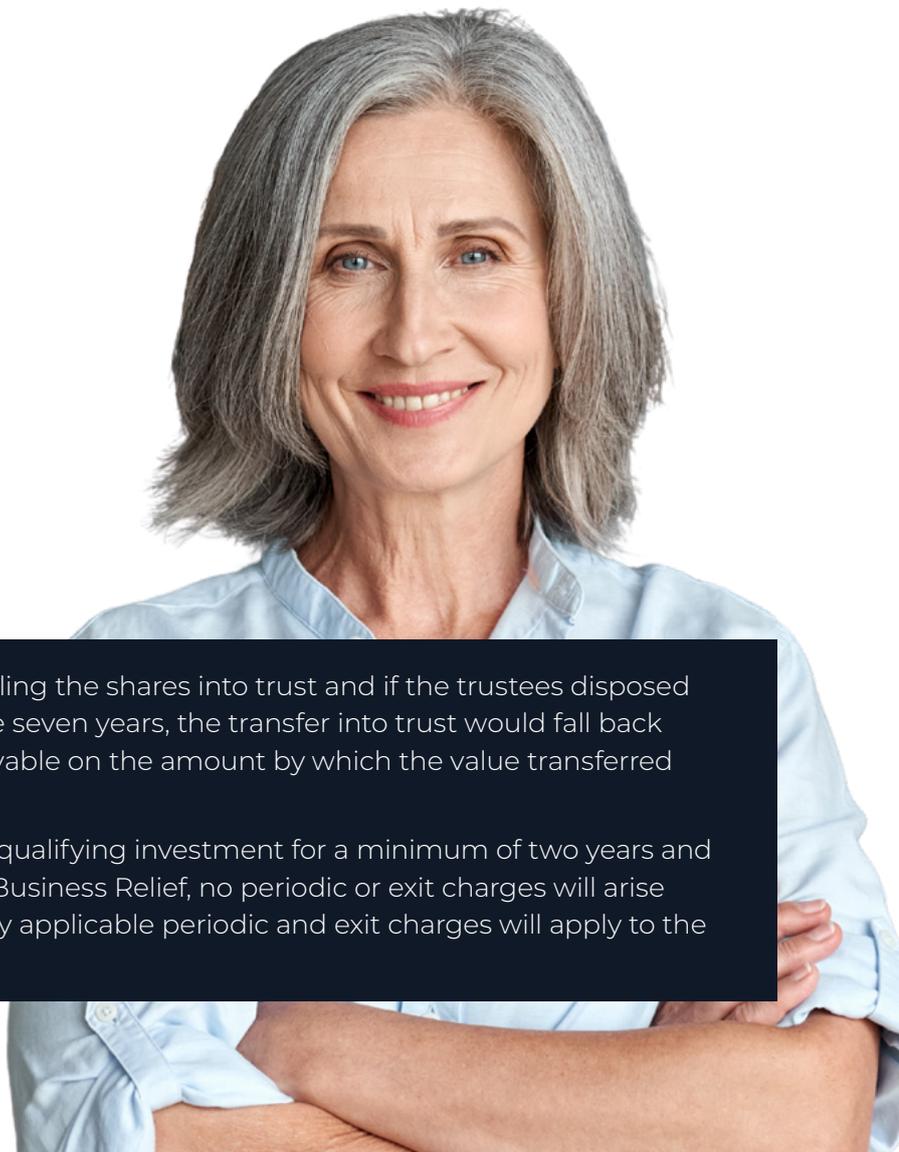
Janinie reinvests the proceeds from the sale, holds the shares for two years, and then transfers the assets into a trust after the budget on 30 October 2024 but before 6 April 2026.

IHT Calculation

BR qualifying shares	£1.5 million 100% of 20% IHT liability on first £1 million of BR assets is fully relieved: £200,000 50% of 20% IHT liability on £500,000 of BR assets exceeding £1 million is relieved: £50,000
Total relief	£250,000 (£50,000 IHT to pay)

IHT Calculation

BR qualifying shares	£1.5 million 100% of 20% IHT liability of £300,000 fully relieved
Total relief	£300,000 (no IHT to pay)



If Janinie dies within seven years of settling the shares into trust and if the trustees disposed of the BR qualifying assets within those seven years, the transfer into trust would fall back into charge and IHT would become payable on the amount by which the value transferred exceeded the NRB.

If the trustees hold the Business Relief qualifying investment for a minimum of two years and the asset itself continues to qualify for Business Relief, no periodic or exit charges will arise for the first £1 million and 50% of usually applicable periodic and exit charges will apply to the £500,000 excess.

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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