

CASE STUDY

# Selling a Business



## Overview

How Andrew maintained IHT relief after selling his business

*For investment professionals only*

# Replacement Property Rules

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Any assets that qualify for BR can be disposed of and replaced without the need to reset the two year holding period required to obtain the relief.

This means that a business owner can retire, purchasing replacement property relief, rather than continuing their business, with the possibility that the value of the business could decline. In this instance, the business could be sold and, provided the proceeds are reinvested in BR-qualifying assets within three years, none of the relief is lost.



## Same rules for private clients

Replacement business property is also used to allow a fund manager running a BR qualifying portfolio to switch clients from one AIM or non-AIM stock to another, or clients to switch their strategy from an equity to asset-backed portfolio. It is a feature that allows investors a lot of flexibility once they have passed the two year qualifying period.

It is worth noting that if a person dies holding cash from the sale of a BR qualifying asset (i.e. before reinvestment) that cash does not qualify for BR, so it is important to minimise cash holding periods where possible.

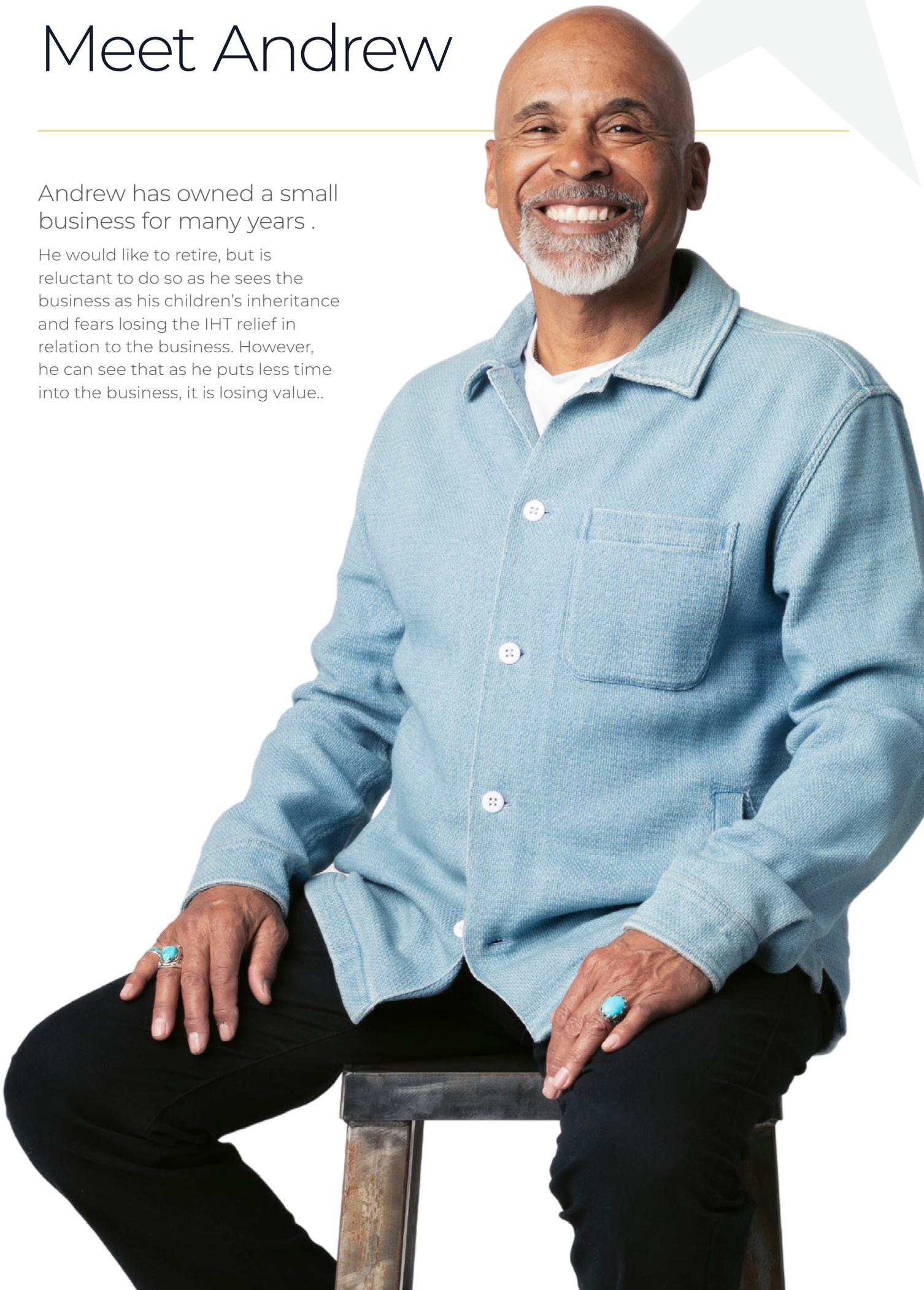
There are some nuances to the timing of this three year rule: it is in fact more generous than it first appears - BR will apply, providing the ownership periods total at least two years in a five-year rolling period (for both the original and replacement property). It is the cumulative period of ownership within the five-year window that counts, rather than an unbroken period of ownership.

# Meet Andrew

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Andrew has owned a small business for many years .

He would like to retire, but is reluctant to do so as he sees the business as his children's inheritance and fears losing the IHT relief in relation to the business. However, he can see that as he puts less time into the business, it is losing value..



# Andrew's options

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Business Value 4.5m

## 01. Seeks help from an accountant

Andrew fears his business will lose value and seeks help from an accountant who refers him to a financial adviser.

## 02. Advised to sell the business

Andrew is advised to sell the business\* and invest the proceeds into a portfolio of BR qualifying investments.

## 03. Replacement relief rule

As Andrew's business was BR qualifying at sale, the replacement relief rule applies and therefore he just needs to ensure that the reinvestment happens within three years of the original sale.

## 04. New BR portfolio

The new BR portfolio is 100% outside of the charge to IHT as soon as the assets are acquired. Andrew can exit his business and retire without sacrificing the IHT relief he had earned, and still expect some growth in this part of his estate.

In April 2026, the limit to BR qualification for 100% relief reduces to £1m per person, and 50% relief is available for all amounts above this threshold.

*\*There may be a potential capital gain to consider if the business is sold. This example focuses on IHT and BR, it has been disregarded.*

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# Get in touch

We're here to help

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## 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](mailto:enquiries@stellar-am.com)

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