

# Sale of a Business - utilising Business Relief



## Orange Software :

- Dennis is 63 and has signed a contract for sale of his business Orange Software for £3 million
- Dennis would like to take some time out and then potentially get involved in a start-up business or go travelling
- Without income from the business Dennis will still need access to income to supplement his pension planning

## The Problem:

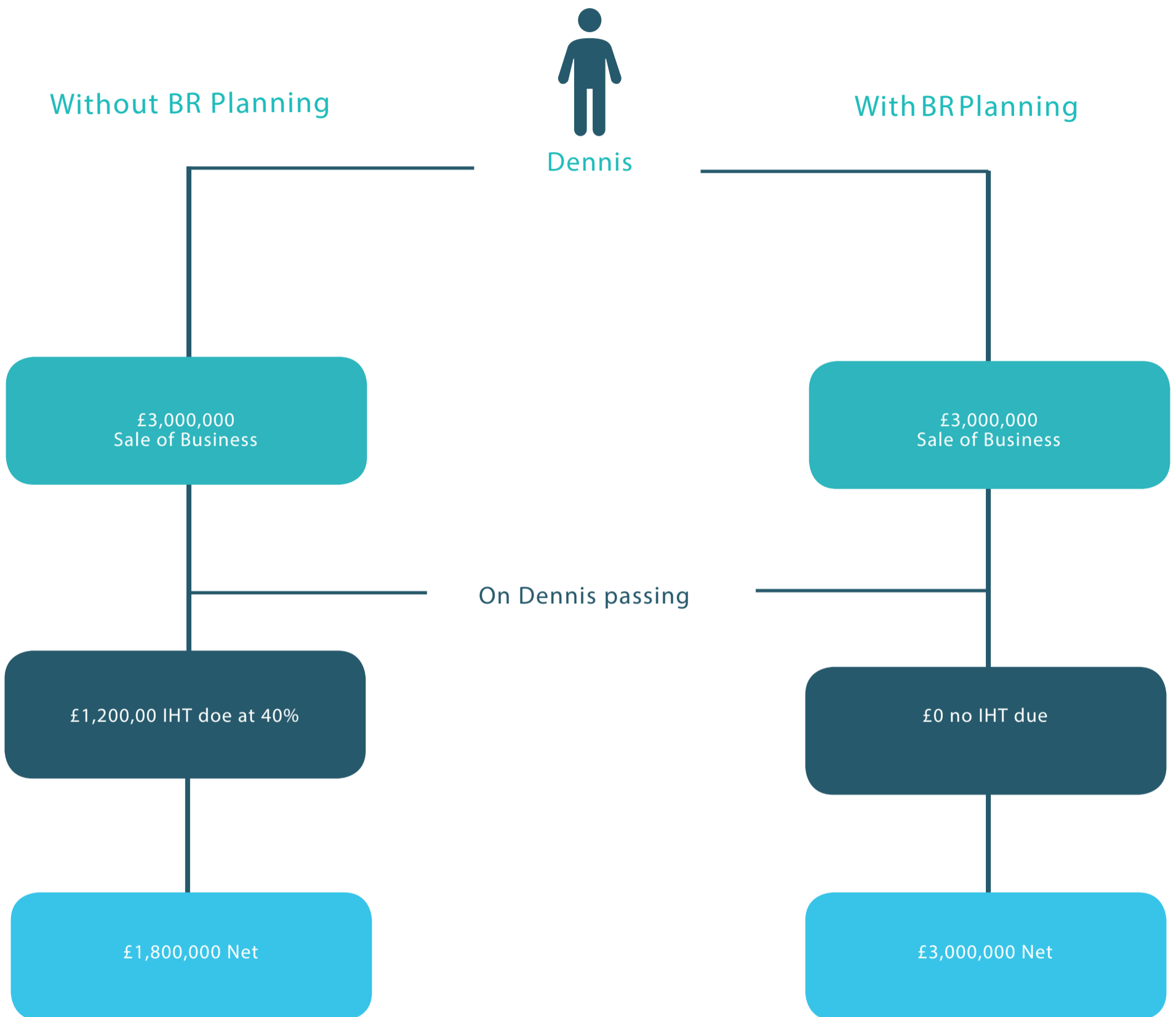
- Orange was a trading business which qualified for Business Relief (BR)
- Unfortunately as a contract for sale has now been agreed, on his death there would be Inheritance Tax (IHT) to pay of £1.2 million
- Dennis would be willing to gift some of his sale proceeds but is concerned about living 7 years. He would be willing to pay for life assurance but due to his health, he has been told he may not be underwritten

## The Solution:

Invest part of the proceeds in BR qualifying shares

- As Orange Ltd was already BR qualifying, this is transferable between BR Qualifying assets
- No need to wait 2 years for BR IHT exemption
- Access to capital if needed to fund new start-up
- Access to income to supplement retirement
- Dennis has up to 3 years to reinvest the proceeds\*\*
- The shares can then be placed in Trust without a Chargeable Lifetime Transfer tax applying (See case study on BR and Trusts)

Note – BR applies to qualifying shares held for 2 of the previous 5 years



For more information about how our tax products can help with this scenario, please contact our tax team using the details below.

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