For Professional Clients Only

Business Relief and Trust Planning

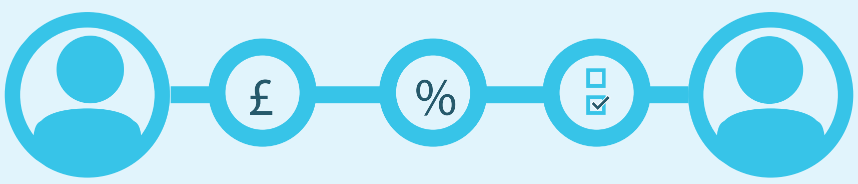
The lifetime transfer tax can be a deterrent for investors seeking to open a trust in order maintain control over their assets on behalf of beneficiaries. Below we see how investing into a Business Relief (BR) solution can mitigate both the lifetime transfer tax (when transferring shares to a trust) and Inheritance tax (IHT).

Client Scenario:

- David is 70 and would like to pass money on to his grandchildren
- He is also concerned about IHT
- He does not want to make outright gifts to his grandchildren, as they are still young and he is concerned how they might spend the money
- He wants discretion over how much his grandchildren benefit
- He has £500,000 to invest and likes the control of a trust and the fact Probate would be avoided
- He is not willing to suffer the 20% chargeable lifetime transfer tax now to save IHT later

The Solution:

- David can invest into a BR solution
- After 2 years the BR asset is exempt for IHT purposes
- At this point the BR shares are transferred into a Discretionary Trust
- If the Trust assets remains in BR shares there are no periodic or exit charges
- If required, at a later date the Trustees can dispose of the BR shares, to buy a property for example (this will have IHT implications but the assets are in the Trust without a 20% charge)



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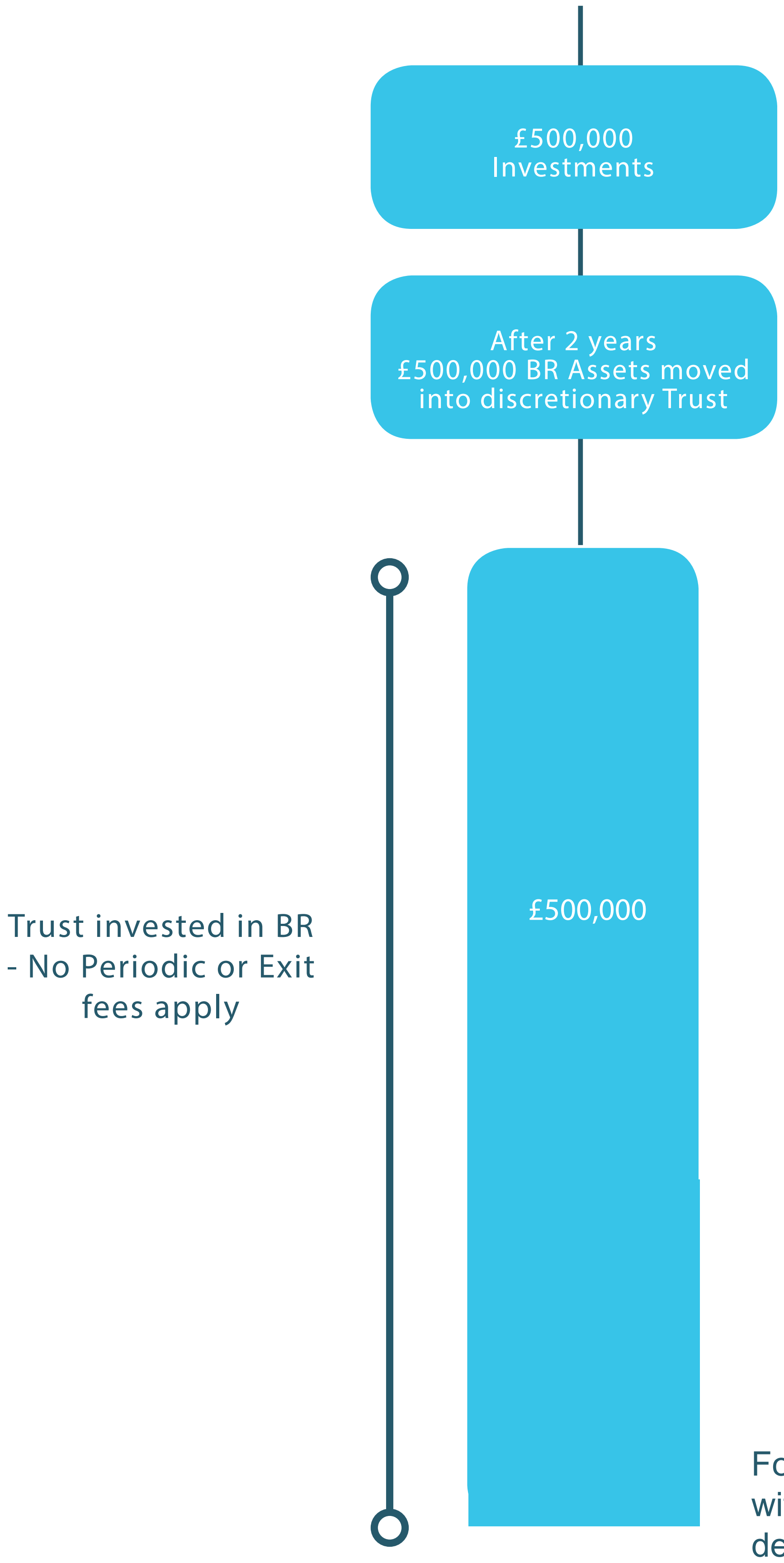
David Invests in BR Assets



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

Important Information