

Business Relief



WHEN CAN I CLAIM BUSINESS RELIEF?

- ✓ You can claim Business Relief on transfers of certain types of business and of business assets if they qualify as relevant Business Property and the transferor has owned them for a minimum period.
- ✓ You can claim the Relief for transfers made during the person's lifetime and on death and on chargeable occasions arising on relevant Business Property held in Trust.
- ✓ The Relief reduces the value transferred by a transfer of relevant Business Property.

In Detail

On what types of Business Property can I claim the Relief?

You can claim Business Relief on:

- A business or an interest in a business (such as a partner in a partnership).
- Unquoted shares. This includes shares which are traded in the Unlisted Securities Market (USM shares) or the Alternative Investment Market (AIM shares). Shares that are listed on a recognised overseas stock exchange are quoted for IHT purposes, even if they are also traded in the AIM or USM.
- A holding of shares or securities owned by the transferor, which are fully listed on a recognised Stock Exchange, which themselves or with other listed shares or securities give control of a company.
- Land, buildings, plant or machinery owned by a partner or controlling shareholder and used wholly or mainly in the business of the partnership or company immediately before the transfer. (This applies only if the partnership interest or shareholding would itself, if it were transferred, qualify for Business Relief).
- Any land, or buildings, machinery or plant which was used wholly or mainly for the purpose of a business carried on by the transferor and was settled property in which the transferor was beneficially entitled to an interest in possession and used in the transferor's business.

What is the rate of the Relief?

If the asset qualifies for Relief, the rate at which it is allowed is shown below. The Relief is given by deducting the relevant percentage of the capital value of the asset.

Date of Death after 6th April 1996.

100% - A business or interest in a business.

100% - A holding of shares in an unquoted company.

50% - Control holding of shares in a quoted company (more than 50% of the voting rights).

50% - Land, buildings or plant and machinery used in a business of which the Deceased was a partner at the date of death or used by a company owned by the Deceased.

50% - Land, buildings or plant and machinery held in a Trust where the Deceased had the right to benefit from the Trust and the asset was used in a business carried on by the Deceased.

On what type of businesses can I NOT claim the Relief?

You will not be able to claim the Relief if the:

- Business or company is engaged wholly or mainly in dealing in securities, stocks or shares, land or buildings, or in making or holding investments.
- Business is not carried on for gain.
- Business is subject to a contract for sale, unless that sale is to a company which will carry on the business, and the sale is made wholly or mainly in consideration of shares in the company buying the business.
- Shares in the company are subject to a contract for sale or the company is being wound up, unless the sale or winding up is part of a reconstruction or amalgamation to enable the business of the company to be carried on.

Relief may be available for:

The business of a market maker or discount house in the United Kingdom.

Shares or securities in a company which is a holding company and the group is not wholly or mainly engaged in property, investment or dealing.

Do all assets of a business get Relief?

No, property that is an excepted asset will not qualify for Business Relief.

What is an excepted asset?

An asset is excepted if it is:

- Not used wholly or mainly for the purposes of the business throughout the two years immediately before the transfer (or since its acquisition by the business if more recent).
- Not required at the time of the transfer for identified future use for the purpose of the business, or used wholly or mainly for the personal benefit of the transferor, or a person connected with the transferor (e.g. the spouse, a child or other relative of the transferor).

What if an asset is not used mainly by the business?

If any land or building is an excepted asset but part of it is used exclusively for the purposes of the business, we regard that part as a separate asset. Provided the conditions for Business Relief are satisfied, we take that part into account in determining the value of relevant Business Property.