



Foresight
group

THE FORESIGHT GUIDE:

**BUSINESS
PROPERTY
RELIEF**

2019/20

What is Business Property Relief?

Business Property Relief (BPR) was introduced as part of the 1976 Finance Act in order to allow small businesses to be passed on through generations without incurring an Inheritance Tax (IHT) liability. The scope of BPR has evolved over the years to become a method of investing for individuals looking to reduce a potentially large IHT liability at the time of their death.

Unquoted

Privately owned companies that are not listed on the main London Stock Exchange (LSE) and carry out a qualifying trade.

Which companies qualify for BPR?

Quoted

On the Alternative Investment Market (AIM) and carry out a qualifying trade.

Qualifying trades

Companies must carry out a qualifying trade. Companies that don't typically qualify include mining, investment and property companies.

The Benefits



Access and Control

Unlike a trust-based plan, with a BPR investment you maintain full control of and access to your money at all times.



Rapid IHT Exemption

Unlike gifts and trusts, which typically take up to seven years before they are fully exempt from IHT, BPR-qualifying investments are IHT exempt after just two years provided that the investments are still held at the time of death.



Inter-Spousal Transfer

Should you die before the two-year qualifying period is complete, your shares can be passed on to your spouse or civil partner without resetting the two-year clock.



Simplicity

BPR investments are relatively straightforward. Generally there are no complex legal structures. There will not be a requirement for medical underwriting regardless of age or health.

Note: HMRC only ever considers a companies qualification for BPR at death. It is not possible to get pre-approval that a company will qualify.

Additional Benefits

Conservative Investment Mandate

The Investment Manager will typically look for companies that have predictable revenue streams and are backed by easily valued assets. Investments in companies in sectors such as infrastructure can earn government-backed subsidies for as much as 20 years.

No impact on Nil-Rate Band (NRB)

BPR planning does not affect the NRB thus complementing and legislatively diversifying other Trust and Gift based IHT planning that does impact the NRB.

Replacement Property Provision

Qualifying BPR investments can be switched to an alternative BPR qualifying investment without restarting the two year clock.

Succession Planning

When passed to a beneficiary BPR assets remain, in some circumstances, exempt from IHT.

Age Is Just a Number

There is no age limit for investment into BPR, so it's never too late or early to consider.

The risks

Tax rules
are subject to change.

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If you do not hold the investment at the time of death,
you will lose the tax exemption.

.....

Investing in small companies is inherently risky.
These companies may not perform as hoped and in some
circumstances may fail completely.

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Your capital is at risk;
you may not get back as much as you put in and in the worst
case scenario you could lose all of your capital.

.....

BPR investment should be considered as a longer term
investment and may be higher risk and more difficult
to realise than other securities listed on the London
Stock Exchange.



Who could benefit from BPR investing?

A client who:

wants to shelter their assets from inheritance tax
while retaining access to their capital

.....
feels they have

left estate planning too late

.....
has a power of attorney in place

and wants to mitigate inheritance tax

.....
is a non-domiciled individual looking to meet capital requirements
when applying for UK residency via a Tier 1 Investor Visa

.....
has sold their business

within the last three years

.....
has loan trusts and is concerned about the inheritance tax
due on the initial capital

.....
would like to put more than the Nil-Rate Band (NRB)
into a discretionary trust

.....
is a trustee looking to mitigate the impact of
periodic charges or exit charges

.....
is an individual looking to set up a family investment company
with inheritance tax efficiency

.....
holds cash

and is looking for a better rate of return

.....
has IHT issues,

but doesn't feel ready to plan

Foresight Highlights



Independent firm founded in **1984**
100% partner owned



More than **28,000**
retail investors



Private equity investment team managing over
£550 million
of retail & institutional funds in a portfolio of over
80 companies



c.£4 billion
of assets under management -
energy infrastructure and private equity

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INVESTMENT
WEEK
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Other Guides from Foresight:

- [Foresight Guide to EIS](#)
- [Foresight Guide to IHT](#)
- [Foresight Guide to VCTs](#)
- [Foresight Guide to Tax](#)
- [Foresight Guide to Claiming Tax Relief](#)

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Important notice

Investments in BPR products will place investors' capital at risk and you may not get back the full amount invested. The investments listed are in unlisted companies which are likely to be harder to value and sell than quoted shares. Please note that the availability of BPR tax relief is dependent on each investor's circumstances. Tax reliefs are also subject to change, and rely on the company in question meeting BPR qualifying criteria. Foresight does not provide investment or tax advice, and therefore potential investors should seek specialist independent tax and financial advice before investing. Past performance should not be taken as a reliable indicator of future results and forecasted returns are not guaranteed. This is a long term investment and you may not be able to get your money back out before the end of the investment term. Please see the offer document for full details.

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