

The Foresight Guide:

Business Relief

2023/24

Foresight



What is Business Relief?

Business Relief (BR) was introduced as part of the 1976 Finance Act in order to allow businesses to be passed on through generations without incurring an Inheritance Tax (IHT) liability.

The scope of BR 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 BR?

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 BR 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, BR-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

BR 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.



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)

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



Succession Planning

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



Age is Just a Number

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

The Risks



Tax rules are subject to change.



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.



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.



BR 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 BR investing?

An individual 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 lasting **Power of Attorney in place** and wants to mitigate inheritance tax

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

Has sold their business within the last three years

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

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

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

Holds cash and is looking for a better rate of return

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

Has IHT issues, but doesn't feel ready to plan

Foresight Highlights



A leading infrastructure and private equity investment manager founded in

1984



More than **40,000**
retail investors



Private equity investment team managing over

£1.3 billion

of retail & institutional funds in a portfolio of

281 companies



£12.2 billion*

of assets under management - energy infrastructure
and private equity



FINALIST
BEST BR
INVESTMENT
MANAGER (UNLISTED)



FINALIST
ESG
CHAMPION
OF THE YEAR



Other Guides from Foresight:

- Foresight Guide to **EIS**
- Foresight Guide to **IHT**
- Foresight Guide to **VCT**
- Foresight Guide to **Tax**

Contact Us

Foresight Group LLP
+44 (0)20 3667 8199
sales@foresightgroup.eu

The Shard, 32 London Bridge
Street, London SE1 9SG
foresightgroup.eu

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BR products designed to manage tax liabilities are not suitable for all investors and will place investors’ capital at risk, and you may not get back the full amount invested. The tax scenarios shown are indicative and are subject to change. Please note that the availability of the BR tax reliefs is dependent on each investor’s individual circumstances. BR tax reliefs are subject to change, investments may also rely on the company or investment opportunity in question meeting BR qualifying criteria which are not guaranteed.

Foresight does not provide financial, legal, investment or tax advice, and therefore potential investors should seek specialist independent tax and financial advice before deciding to invest. Past performance should not be taken as a reliable indicator of future results and forecasted returns are not guaranteed. The BR products are long term investments and you may not be able to get your money back out before the end of the investment term. Please see the relevant offering document for full details where attention should be paid to the risk factors set out.

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