

The
Will Guys



**Business or
Agricultural
Assets**

TYPICAL ESTATE PLANNING



Note: This sheet only applies to Business and Agricultural Assets that attract Business and Agricultural Relief (BR / AR).

WHERE THERE IS NO WILL, OR ONLY A BASIC WILL IN PLACE, YOUR BUSINESS ASSETS ARE EXPOSED TO THE FOLLOWING RISKS:



Inheritance Tax (IHT)

Business Relief may be available on Business Assets. But if the spouse/partner/children decide to sell the business the proceeds will enter their estates creating a potential IHT liability on their death. 40% of the value of the business could be lost to future generations.



Example of potential Inheritance Tax Liability

Example of potential Inheritance Tax Liability Mr owns 100% of ABC Ltd which is valued at £1,800,000. Mr dies leaving the business to his spouse/partner/children. No IHT payable on Mr's death assuming the availability of Business Relief (BR). Subsequently, the spouse/partner/children decide to sell the business resulting in £1,800,000 entering their estate.

When the spouse/partner/children die they leave a potential IHT bill of £1,800,000 x 40% = **£720,000**



3rd Party Claims

Share of company is now part of spouse/partner's/children's estates and therefore is at risk from any future Divorce settlements, Creditors and Bankruptcy.



3rd Party Claims

If rules on BR and AR change between first and second death, when spouse/partner/children dies these reliefs may not be available. Opportunity to take assets out of estate will have been missed.

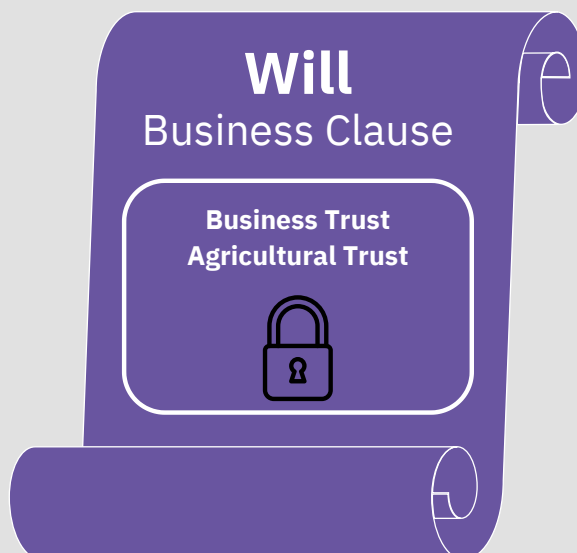


This sheet concerns business succession planning only and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances.

USING A DISCRETIONARY TRUST



Client's beneficiaries are Trustees and Beneficiaries of the Trusts



Periodic and Exit Charges

If the business/farm is sold then this may give rise to periodic and exit charges if value of assets exceeds the Nil Rate Band.



Inheritance Tax Example

Mr owns 100% of ABC Ltd which is valued at £1,800,000. Mr dies leaving the business to Family Business Trusts. No IHT payable on Mr's death due to BR/AR. Subsequently, the spouse/partner/children decides to sell the business resulting in £1,800,000 entering the Trusts.

When the Spouse/Partner/Children die, IHT payable on the proceeds of the sale of the business = £0 a saving of £720,000 compared with if Trusts are not used



Solves the above problems of Inheritance Tax, 3rd party claims and potential changes in reliefs.



Third Party Claims

The proceeds from any future sale of the business could be protected from Divorce, Remarriage, Bankruptcy and Long Term Care.

April 2026 is when the new rules regarding BPR and APR are to be introduced. This will include a cap on the amount of relief available, therefore your planning may need to be revised after this date.



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