



Helping clients who need to mitigate an Inheritance Tax liability in less than 7 years

Some clients may reach the later stages of life, or be in ill health, when they learn that their estate has reached a size that incurs an Inheritance Tax (IHT) liability. This may cause them to worry that they have left it too late to plan their estate more tax-efficiently.

Whilst estate planning solutions such as gifts and trusts take 7 years to become 100% IHT relieviable, an investment that qualifies for Business Relief (BR) can take just two years. This shorter window makes it an attractive solution for clients in this scenario.





Meet Jenny

Jenny, has a share portfolio valued at £600,000. She is married, and both her and her partner are over the age of 90. They have several grandchildren and would like to pass on their inheritance to help the younger family members get on the property ladder. They are both currently in a care home and have enough cash savings to cover their cost of care, without needing access to their shares.

The adviser completes a thorough review of their finances and explains the risks associated with investing, including an assessment of their ability to absorb the impact of financial loss. The adviser explains that to become 100% IHT relieviable, the share portfolio will need to be invested in one or more BR-qualifying businesses. These can either be unquoted businesses, or businesses listed on the Alternative Investment Market (AIM).

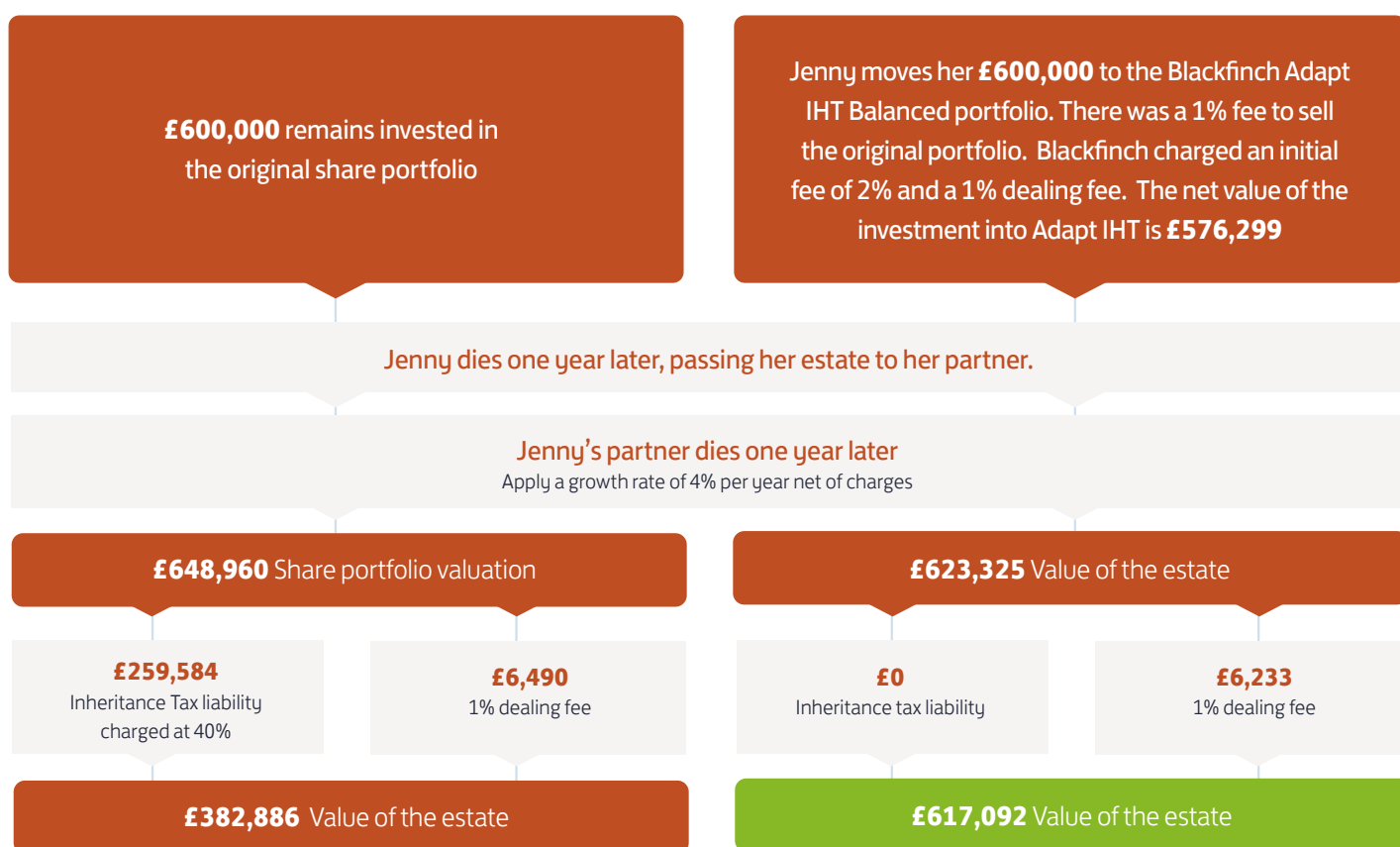
On the death of one partner, the surviving spouse inheriting the investment will continue the two-year clock for qualifying purposes.

This means the investment will be able to claim BR relief from the second anniversary of the initial investment.

Please refer to the risks section at the end of this document for a full overview.

Let's look at how their estate could change, using two different strategies

(both examples assume the clients have exhausted all applicable reliefs)



Clients must be advised that annual management charges (AMC) may apply. For Adapt IHT, the AMC (0.5% + VAT) only applies when returns exceed the target return of 3-5% (dependent on the target return selected).

Advantages of BR

Inheritance Tax

Everyone has an allowance of £325,000, known as the nil rate band, which they can leave to beneficiaries free of Inheritance Tax (IHT). If the individual has an estate valued above this amount, it could be subject to IHT at a rate of up to 40%.

Residence Nil Rate Band

Introduced in 2017, the Residence Nil Rate Band (RNRB) is an additional IHT relief that can be claimed against the value of a main residence. The RNRB is currently £175,000. RNRB rates are frozen until 2025/6 and are only applicable if the property is the deceased's main residence and is being passed on to direct descendants (children or grandchildren). RNRB starts to be withdrawn where the death estate exceeds a £2m taper threshold.

Supporting the UK Economy

Certain businesses qualify for Business Relief, including shares in many AIM-listed firms. Unlike traditional IHT solutions, which can invest globally, clients' money is only invested in BR-qualifying UK-based firms.



Can help preserve a family's wealth



Only takes 2 years to qualify

Shares must be held at the time of death



Can be gifted (to reduce value of estate)



BR assets can replace each other



Clients retain access to capital



Inherited ISA Allowance

Additional permitted subscription (APS)



Upon death there are various options



Transfer into Trust

If the shares were already held for 2 years before the transfer into trust, the potential lifetime charge to IHT is reduced from 20% to zero



Transfer by way of gift:

If the individual (donor) holds BR-qualifying shares for 2 years before gifting, and the recipient of the gift still holds the shares at the time of the donor's death, the investment retains IHT exemption for the donor (reduce estate)

Here to help

For more help with tax-efficient strategies, please speak with your local Business Development Manager who will be happy to help.

[Send us an enquiry →](#)

[Find out more about IHT →](#)



Risks

What are the risks associated with BR-qualifying shares?

Capital is at risk. The value of an investment may go up as well as down.

Legislation for tax rules and reliefs could change in the future. This may impact shares held in companies that are later deemed as no longer BR-qualifying. To date, Blackfinch has achieved 100% success rate on creating BR-qualifying investments.

Business Relief is assessed by HMRC on a case-by-case basis at the time of death of the investor, as part of the probate process. Therefore, the relief cannot be guaranteed. The two-year timeframe begins when HMRC deems the investment to have become BR-qualifying. This may be later than the investment date.

Liquidity varies by product and should be considered when understanding which product may be a suitable fit for an investor.

The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.

IMPORTANT INFORMATION

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