



**Ian Bowyer**  
Partner  
T +44 (0)20 7242 0631  
E [ibowyer@greenwoodsgrm.co.uk](mailto:ibowyer@greenwoodsgrm.co.uk)



**Kerri Pellington-Woodrow**  
Partner  
T +44 (0)1733 887675  
E [kjpellington-woodrow@greenwoodsgrm.co.uk](mailto:kjpellington-woodrow@greenwoodsgrm.co.uk)



**Clare Harris**  
Associate  
T+44 (0)1223 785289  
E [ceharris@greenwoodsgrm.co.uk](mailto:ceharris@greenwoodsgrm.co.uk)

**Business Relief (previously known as Business Property Relief, “BPR”) can, for inheritance tax (“IHT”) purposes reduce the value of business property by 50% or 100%.**

### When is it available?

It is available for transfer of certain types of business and business assets subject to a minimum ownership period. The transfer can be made during a person’s lifetime or on their death.

### What types of businesses?

Subject to certain conditions, Business Relief can be claimed for :

- Sole-trading business.
- Share in a partnership.
- Unquoted shares.
- A holding of shares or securities in a quoted company that give you control of the company.
- Buildings, land, plant or machinery owned by a partner or controlling shareholder and used wholly or mainly in your business.

### What types of businesses can you not claim for?

Relief is not available for :

- Businesses that are wholly or mainly engaged in dealing in securities, stocks and shares, land, machinery or buildings, or in making/holding investments.
- Businesses that are not carried on for a gain.
- Businesses that are subject to a contract for sale.
- Shares in a company that is subject to a contract for sale or the company is being wound up.

### How soon do I qualify for the relief?

There is a minimum period of ownership of two years immediately before the transfer.

Until the two year period has been reached, the property is not considered to be relevant business property and so does not qualify for the relief.

Additional points to know :

- If you inherit the property from your spouse/civil partner, relief is available for any period during which your spouse/civil partner owned it.
- Relief is available if a transferred property replaces other property which would have qualified for Business Relief.
- If you inherit the property, ownership runs from the date of death.
- If the transferred property was acquired on an earlier transfer within a two year period, relief is available if :
  - The earlier transfer was eligible for business relief;
  - The earlier transfer was made to the current transferor (the person making the transfer) or spouse/civil partner;
  - One of the transfers was made on death, and
  - The property apart from the two-year rule, would qualify for relief.

# Business Relief

## The Facts



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### What rate of relief is available?

**Business Relief is available at 100% for:**

- A business or interest in a business.
- A holding of shares in an unquoted company.

**Business Relief is available at 50% for:**

- A holding of shares in a quoted company giving more than 50% of the voting rights.
- Land, buildings or machinery used in a business (but owned by the deceased) in which the deceased was a partner or controlling shareholder.
- Land, buildings or machinery held in a trust, where the deceased had the right to benefit and the asset was used in their business.

### Will all business assets qualify for Business Relief?

No, not if an asset falls within any of the following categories:

- Not used wholly or mainly for business purposes throughout the two years immediately before transfer.
- Not required for an identified future business purpose.
- Used wholly or mainly for the personal benefit of the transferor or a person connected to them, ie. a child.

Business Relief is not available in respect of a Director's loan account or a loan made to a partnership following a retirement.

### What about a gift of property?

For IHT purposes, it is necessary to survive seven years from the date of the gift for it to be outside of your estate.

If you do not survive for seven years, the value of the gift is added back into your estate.

Business Relief will be available if the property gifted away was:

- Relevant business property at the time the gift was made;
- Owned by the person to whom the gift was made (the transferee) throughout the period from the date of the gift to the death of the transferor; and
- At the date of the transferor's death it remains property which is eligible for Business Relief.

### Issues to consider

- Are there agreements in place requiring on the death of a shareholder or partner the remaining business owners to buy their share and the deceased's personal representatives to sell to them? This is a binding contract for sale and BPR is not available.
- Are your businesses structured correctly to maximise BPR?
- Is your business too cash rich?
- Are your business assets held within your company or by you personally? This makes a difference between 100% and 50% Business Relief being available.

### How can Greenwoods GRM help?

**Contact +44 (0)1733 887665 and ask to speak to a member of our Private Client Team.**

Whilst Greenwoods GRM LLP stands by the views and advice given in this document, the fact that two situations are rarely the same means that you should seek legal advice before relying on its contents.

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@GreenwoodsGRM



**Greenwoods GRM LLP**

Monkstone House  
City Road  
Peterborough PE1 1JE  
T +44 (0)1733 887700

Compass House  
Vision Park  
Cambridge CB24 9AD  
T +44 (0)1223 785300

1 Bedford Row  
London  
WC1R 4BZ  
T +44 (0)20 7242 0631

E [info@greenwoodsgrm.co.uk](mailto:info@greenwoodsgrm.co.uk)  
W [www.greenwoodsgrm.co.uk](http://www.greenwoodsgrm.co.uk)