

## Private Client Enews – 18 October 2006

### What a Relief!

Business Property Relief ('BPR') is one of the main tax breaks available to business owners. It provides relief from Inheritance Tax for qualifying business assets which could reduce the taxable value of a business to nil.

For a transfer of property to attract 100% BPR it must relate to a business or an interest in a business or to unquoted shares in a trading company (which expression includes shares which are traded on the Alternative Investment Market). A business is defined as a trade or profession carried on for gain, so 'hobby' businesses would be excluded. Certain other types of business are also excluded, notably those whose principal activity is dealing in securities or land and buildings.

Complications can arise over mixed businesses. In the case of *Farmer v IRC* (1999) the issue was whether a landed estate which conducted both farming and letting activities should be eligible for BPR. The Tax Commissioner took account of the capital employed in the two parts of the business, the allocation of turnover and profit, and the time spent by directors and employees, and held that the letting of properties was subsidiary to the main farming activity and that BPR should therefore be available for the whole business.

If a business holds cash, stocks or shares, land or buildings for personal use or investment purposes, these will be left out of account for the purposes of BPR. It may sometimes be difficult to tell whether cash, in particular, is earmarked for a specific business purpose or is simply being accumulated as a financial reserve. Clearly it is vital to keep accurate records of management decisions.

If you have any queries you can phone or email Glenn Smyth or Rod Smith on [glennsmyth@boltburdon.co.uk](mailto:glennsmyth@boltburdon.co.uk) or [rodsmith@boltburdon.co.uk](mailto:rodsmith@boltburdon.co.uk) or phone 020 7288 4700. Our full range of services includes Financial Planning, Trusts Wills & Probate, Property, Matrimonial and Family Law, Commercial Law, Commercial Dispute Resolution, Debt Collection, Compensation Claim Litigation. Visit our web site at [www.boltburdon.co.uk](http://www.boltburdon.co.uk). To stop receiving this bulletin, reply stating 'unsubscribe'.