

Association of Scotland's Self-Caterers Conference – Annual Conference November 2017



Thank You

Inheritance Tax and Business Property Relief – What Can You Do to Protect Your Future?



- What is Inheritance Tax (IHT)?
- When Does it Apply?
- Are There Any Concessions?
- What is Business Property Relief?
- When Can You Claim It?
- What is a Trade?
- Does Self Catering Qualify as a Trade?
- So What Can You Do?
- Recent Case Law
- Do You Have What it Takes?

What is Inheritance Tax (IHT)?

- Tax on “transfers” on death
- Tax on lifetime “transfers”
- 7 year rule
- “Transfers” of what?
- Threshold
- Transfer of home – new threshold
- Unused threshold
- Tax rate

When Does IHT Apply?

- Transfers – anything that has a value!!!!
 - money, property, possessions
- Lifetime transfers (pending death)
- 7 year rule
- Transfers on death

Are There Any Concessions?

- Unused threshold
- Leave to charity
- Gifts
- Exempted gifts
- Special gifts
- Annual gifts
- Charitable and political donations
- Incidental gifts
- Agricultural Relief
- Business Relief

What is Business Property Relief (BPR)?

- Reduction in value of a business and related assets subject to IHT
- Rates of relief
- Relief on “Relevant Business Property”
 - Business or interest
 - Shares – unquoted
 - Controlling interest – quoted
 - Privately owned assets used in business
 - Assets held in trust used in business
- Business or asset used owned at least 2 years prior to death

When **Can** You Claim BPR?

- Business or asset used owned at least 2 years prior to death or gift
- Relief on:
 - Business or interest
 - Shares – unquoted
 - Controlling interest – quoted
 - Privately owned assets used in business
 - Assets held in trust used in business
- Gifts must remain as “going concern”
- Replacement within 3 years

When **Can't** You Claim BPR?

- Mainly dealing in land or buildings or holding investments
- Business or asset used not owned at least 2 years prior to death
- Hasn't been used for business in last 2 years
- Not needed for future of business
- Transfer of a single business asset
- Binding contract for sale (Partnership & Shareholders Agreements)

What is a Trade?

- Holding investments or trading?
- Providing a level of services sufficient to constitute “trading”
- Services provided to maintain or preserve the land or property
- Services akin to a Hotel or B&B
- % Effort
- % Income
- HMRC Clearance procedure

Does Self Catering Qualify as a Trade?

- Lettings of commercial premises
- Furnished lettings
- Holiday lets
- Caravan parks
- Other lettings



Recent Case Law

- Martin & Horsfall (Executors of Violet Moore deceased)-v- CIR (1995) SC2
- Trustees of David Zetland Settlement v Commissioners for HMRC [2013] UKFTT284 (TC)
- John Best (Executor of the estate of Alfred William Buller deceased) v Commissioners for HMRC [2014] UKFTT 077 (TC)
- Burkinyoung (Executor of Burkinyoung deceased) -v- CIR (1995) SC3
- Furness v IRC (1999) Special Commissioners 202
- Weston (Executor of Weston deceased) v CIR (2000) STC 1064,
- IRC v George (2003) EWCA 1763

So, What Can You Do?

Outdoor Catering	Restaurants	Outdoor Games	Indoor games
Skating	Water sports	Crèche facilities	Tea Parties
Water parks	Water Chutes & Slides	Yoga & meditation	Massage
Fishing	Activity Clubs	Bowling	Boot camps
Bars	Go Karting	Outdoor board	Weddings
Playgrounds	Children's play areas	Children's parties	Funerals
Coffee shops	Farm shops	Craft shops	Births
Craft clubs	Health clubs	Health spas	Christenings
Equestrian activities	Outdoor activities	Adventure parks	Confirmations
Pitch n Putt	Mini golf	Bouncy castles	Laundry Services
Birthday Parties	Competitions	Bingo	Breakfasts
Cabaret	Quiz nights	Baby sitting	Child minding

Do You Have What it Takes?

- Thoughts
- Images
- Behaviour / Action



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