

Inheritance tax review by Wilson Partners saves £1.7m on a £5m estate.

The problem

Mr H, a widower age 86, had significant wealth through majority shareholdings in two family companies, both companies owning residential and commercial property investments together with funds invested by discretionary investment managers. At January 2014, following the appointment of Wilson Partners as tax advisors, the shareholdings were valued at around £4.0m. When a family home valued at £1.0m was included, the potential inheritance tax bill facing Mr H's children was £1.74m. From June 2015 onwards, Mr H moved into a care home and £100,000 per annum was required to cover the care home costs. As the companies were not "trading companies", the valuable capital gains tax and inheritance tax reliefs were not available and it was not obvious as to the approach Mr H and his children should take to manage down the exposure to inheritance tax.

The solution

A detailed "fact find" was carried out including a detailed history of the shareholdings and past activities within the two companies. Forward projections were made of the care home costs for Mr H and how these would be provided. The investments within the companies were re-structured and a family trading activity was introduced into the commercial property owned by one of the companies. By May 2018, the shareholdings in both companies met the conditions for the 100% Business Property Relief for inheritance tax. Mr H is still with us but when he does pass on, the inheritance tax bill for his family will be around £40,000.

The client said

"Wilson Partners took away all the complexity I had been struggling with and came up with a unique solution for my father which will save my family substantial amounts of tax."

We said

"We enjoy finding solutions to our client's problems – the "fact find" is nearly always the key to the solution. Once we had our hands on the facts, the solution was an application of our tax knowledge and experience to those facts together with a bit of "lateral thinking" to find the optimum solution for Mr H and his family. Potential tax savings of £1.7m is a fantastic result."

Alan Ross, Tax Director,
Wilson Partners