



Croner-i
My VIP Tax Team

Tax considerations of succession planning



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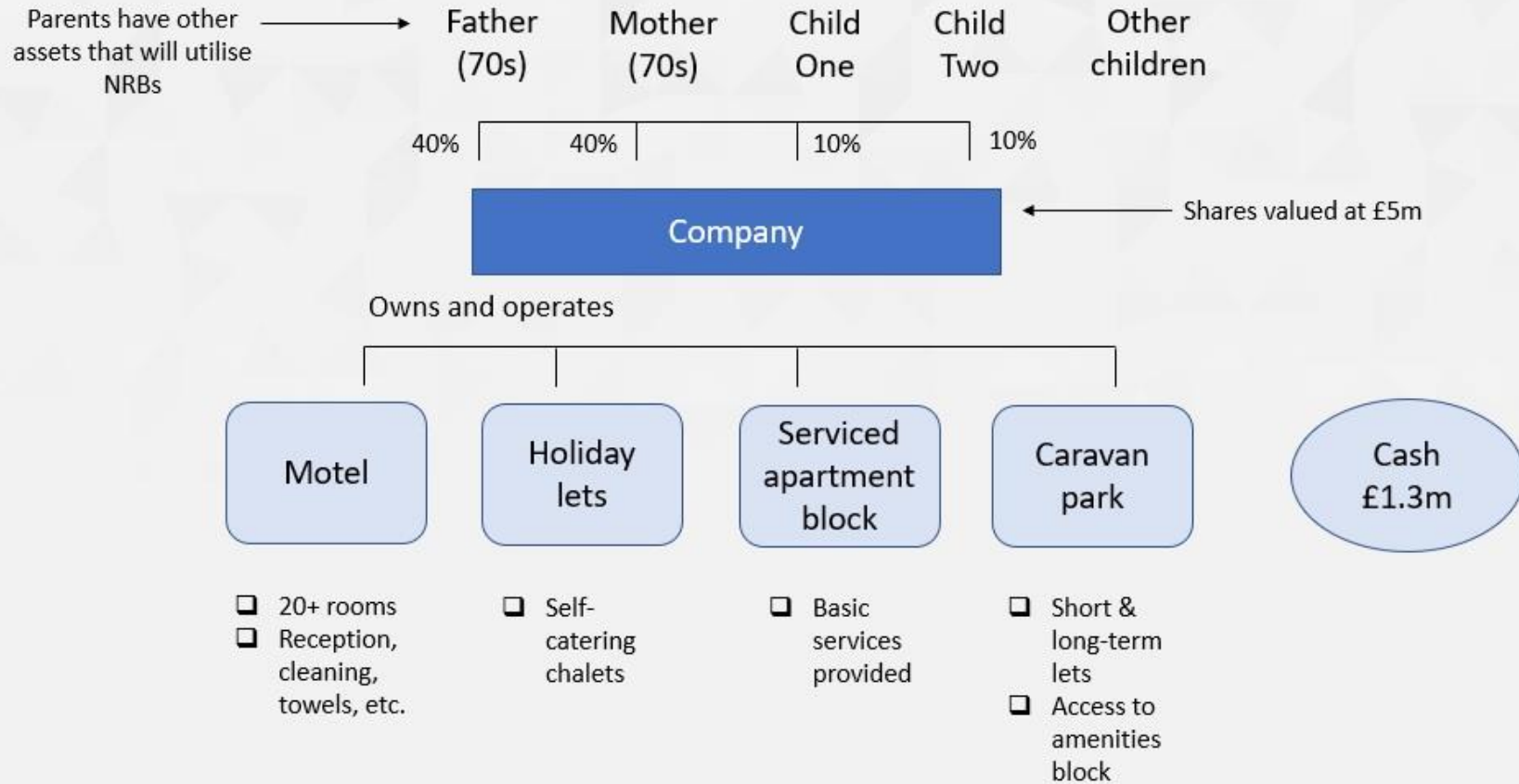


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Today we will cover...

- How we undertake succession planning based on a real life case study from a demonstration
- Maximising IHT business relief and CGT gift relief
- Reducing death estate exposure

Scenario



Trading/non-trading split

	Trading	Non-trading
Capital employed	55%	45%
Turnover	40%	60%
Profits	50%	50%

Time spent becoming less positive as trend is for very short stays in holiday lets, etc.

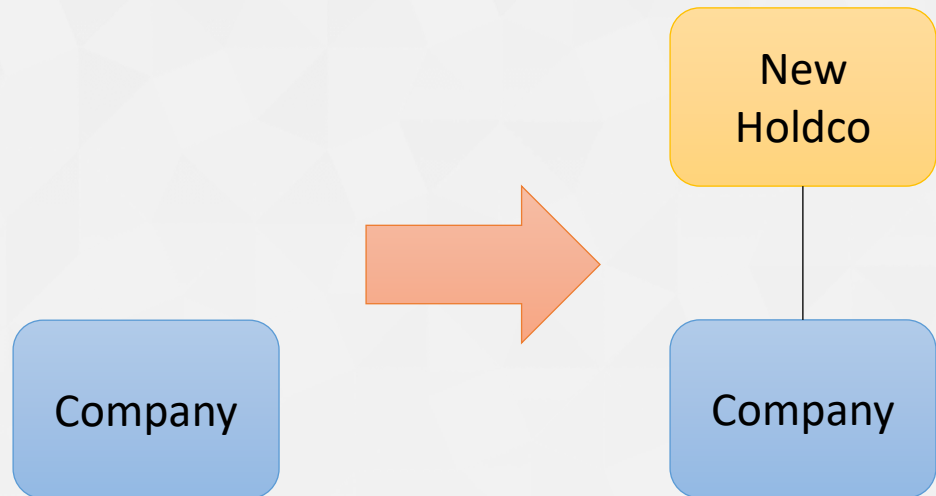
Possible commercial solutions?

- Provide restaurant services?
 - Contractual issues mean can provide breakfasts only
- Provide additional services?
 - Competitive pressures & staff shortages
- Minute investment of cash?
 - Likely to be used to enhance investment activities

Tax planning solutions

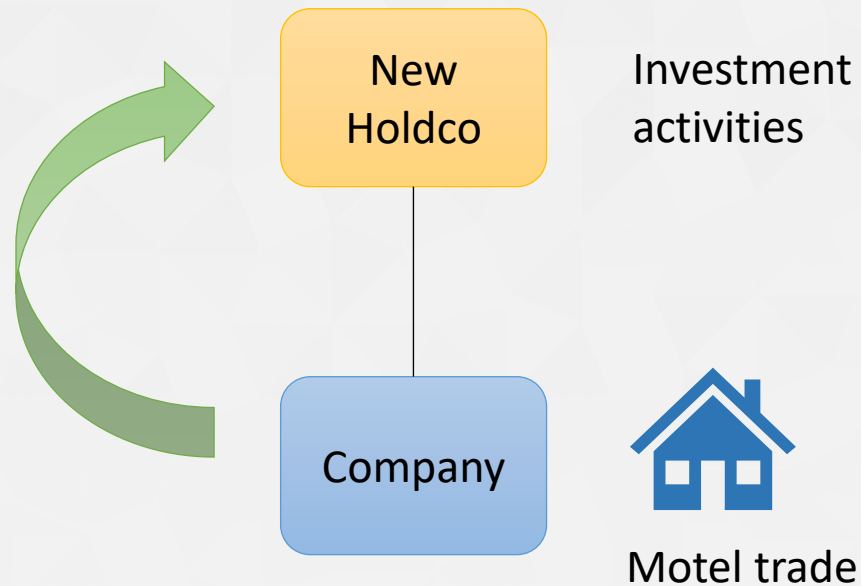
- Improve the current IHT business relief and CGT gift relief positions
- Minimise IHT and CGT exposure on investment activities

Return of capital demerger



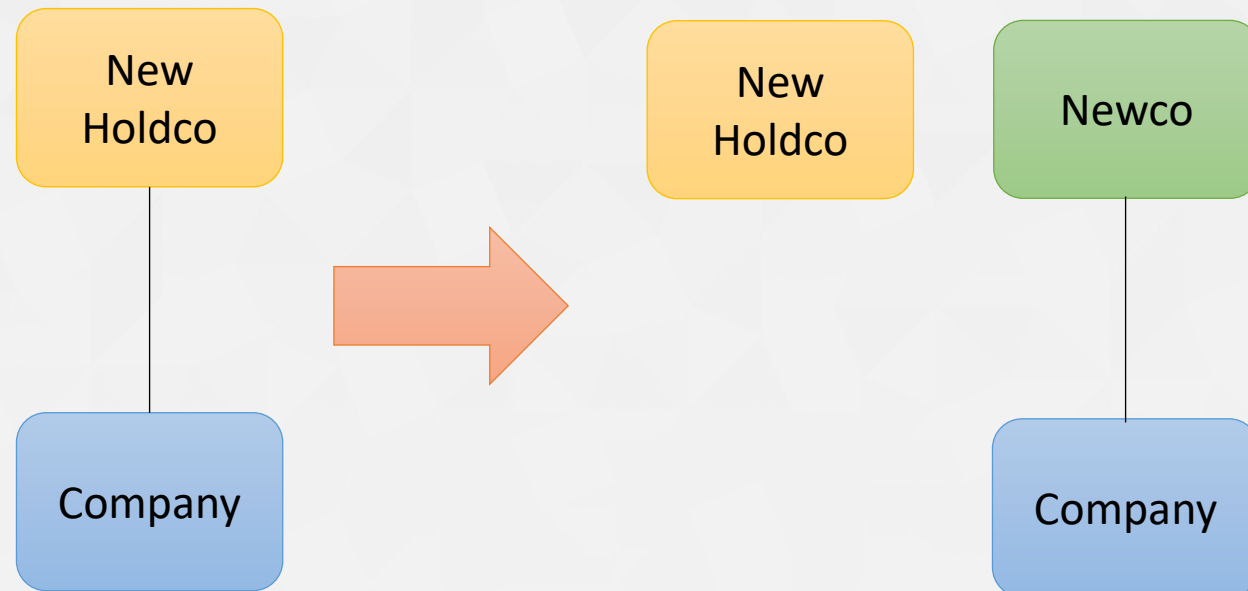
- **Step 1** – insert New Holdco via a share for share exchange
- New Holdco will have share capital equal to the market value of the combined trading and investment activities
- No CGT consequences as S.135 TCGA should apply
- No Stamp Duty as acquisition relief (S.77 FA 1986) should apply

Return of capital demerger



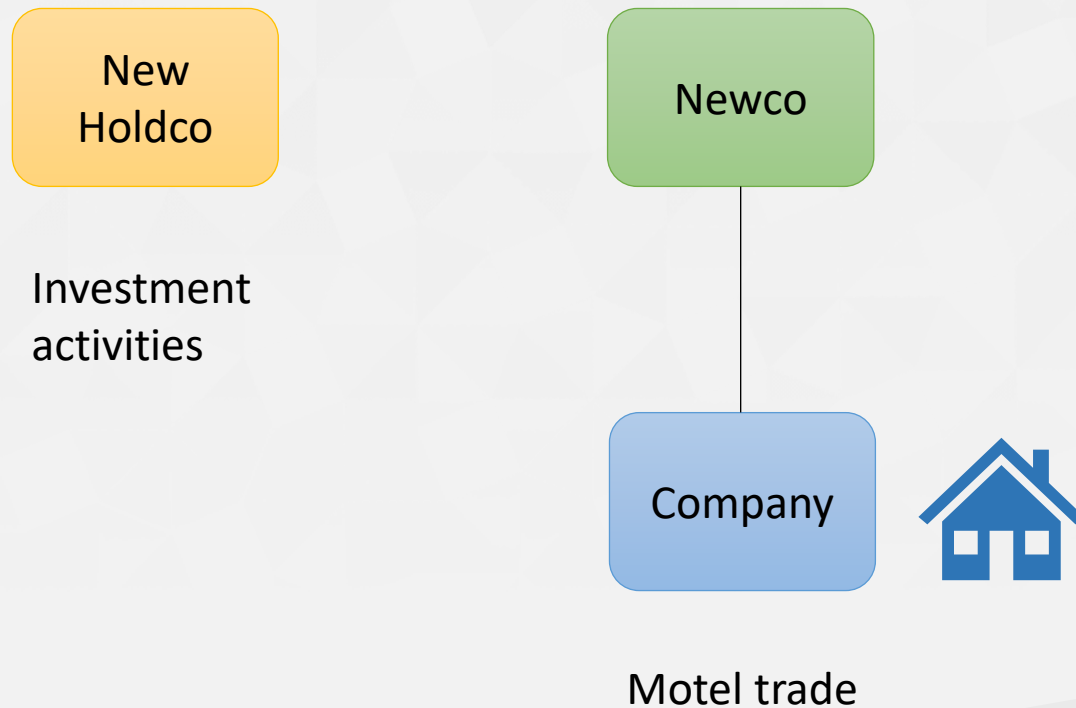
- **Step 2** – transfer of investment activities from Company to New Holdco
- Can be either as a distribution in specie or an intragroup transfer
- No tax consequences associated with the transfer of assets
- Trading activities (i.e. the motel) remain in Company

Return of capital demerger



- **Step 3** – distribution of Company to Newco. Newco issues shares to shareholders of New Holdco
- Share capital of New Holdco is reduced by number of shares equal to the market value of Company
- S.139 TCGA 1992
- S.122 TCGA 1992 but reorganisation reliefs apply
- Clearance application under S.139(5) TCGA 1992, S.701 ITA 2007 and S.748 CTA 2010

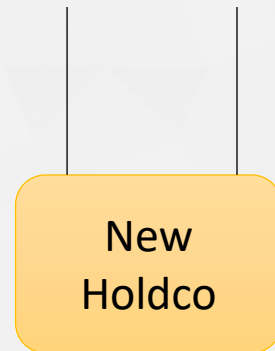
Features/benefits of the new structure



- New Holdco contains investments and surplus cash not earmarked for trading
- The Newco group contains the motel trading business
- IHT business relief and CGT gift relief position has been substantially improved

Further planning for the investment company

Freezer shares Growth shares



Investment activities

- Freezer shares lock the current market value of the investment activities
- Growth shares can be passed on to the next generation when their value is low
- Freezer shares up to the nil rate band can be settled into discretionary trusts
- The overall IHT death estate position can be improved

How can My VIP Tax Team can help?

- Written advice and step plan re return of capital demerger
- Valuation of trading activities
- Draft advance tax clearance applications
- Review legal documents from a tax perspective and answer tax questions raised
- Draft stamp duty adjudication letters
- Written advice on freezer and growth shares and review legal documents from a tax perspective
- Written advice re settlements into discretionary trusts

Summary

Issues

- IHT relief for relevant business property – IHTA 1984, s. 104
 - Wholly & mainly / investment activities – s. 105
- Business asset gift relief for CGT - TCGA 1992, s. 165
 - Meaning of 'trading company' – s. 165A

Summary

Solutions

- Return of capital demerger to separate trading activities from investment interests
- Use of freezer and growth shares
- Settlements into discretionary trusts

Summary

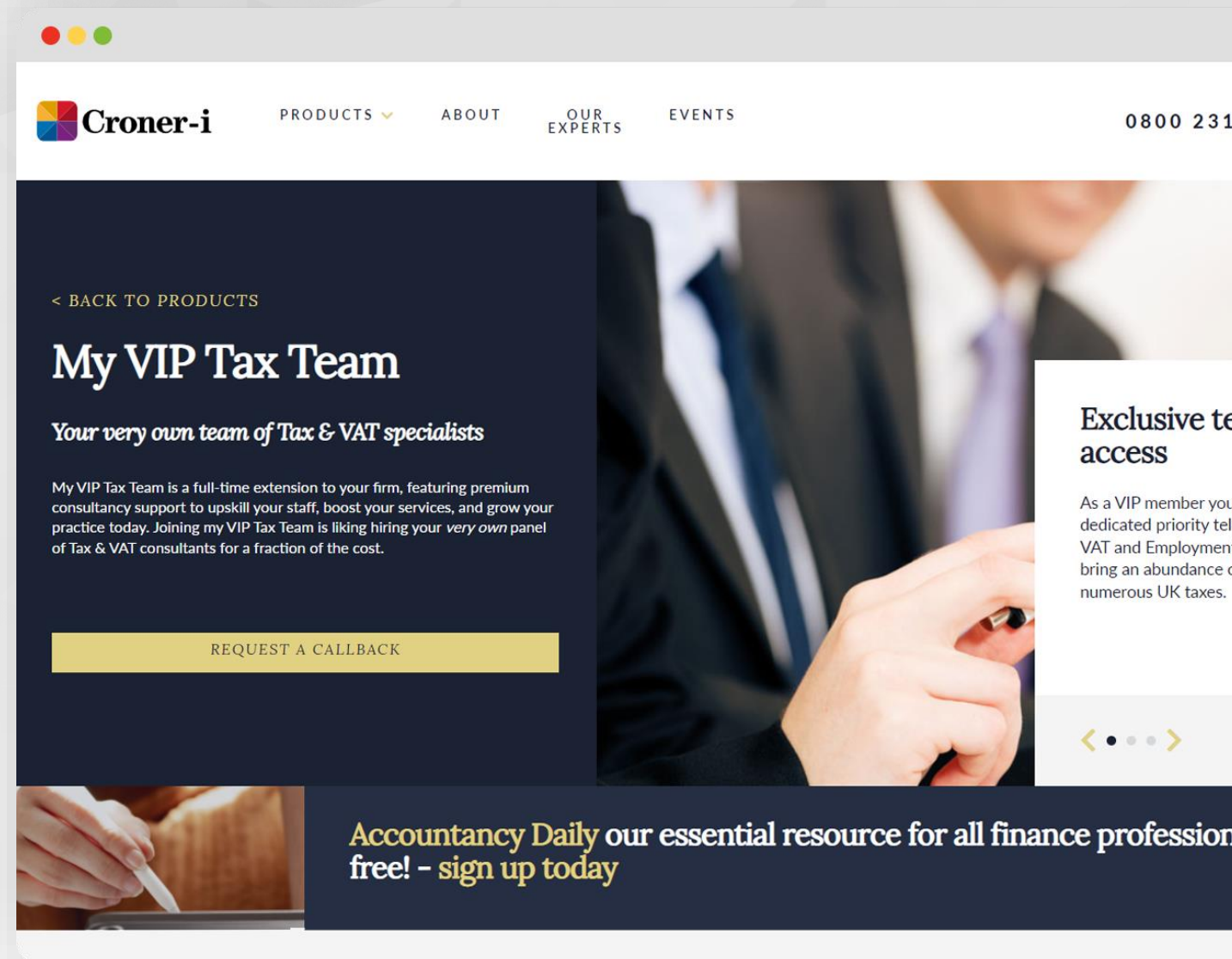
Implementation

- Resource materials on Croner-i online
- Support from My VIP Tax Team

Next steps

- A member of our team will give you a call to receive your feedback
- A recording of this webinar will be sent to you within a week
- To find out more on what My VIP Tax Team can offer you, follow this link

about.myviptaxteam.com



The screenshot shows the Croner-i website interface. At the top, there is a navigation bar with the Croner-i logo, menu items for PRODUCTS, ABOUT, OUR EXPERTS, and EVENTS, and a phone number 0800 231. The main content area features a dark blue background with the heading "My VIP Tax Team" and the sub-heading "Your very own team of Tax & VAT specialists". Below this, there is a paragraph describing the service as a full-time extension to a firm's staff. A yellow button labeled "REQUEST A CALLBACK" is positioned below the text. To the right, there is a white box with the heading "Exclusive to access" and a paragraph of text. At the bottom of the screenshot, there is a dark blue banner with the text "Accountancy Daily our essential resource for all finance professionals free! - sign up today".



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Thank you



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