



Wills, Trusts  
& Tax

# Restructuring An Estate To Minimise Tax Liabilities





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## Background:

Our client, and his son, were referred to us by their company accountant. They were seeking legal advice as part of an inheritance tax planning strategy. Their objective was to transfer his business to his son in light of the father's planned retirement.

## Challenges

The company was a bathrooms and plumbing business with several showrooms across Merseyside. The properties were owned by our client in his own name. They were part used in the business and part let to private tenants. The properties had been purchased at various times over the past 50 years and all of them had a significant capital gain, so capital gains tax (CGT) was a primary consideration.

## Solution

We devised a succession strategy for the family which met their needs and provided the maximum tax advantage, without making the overall structure too complicated.

This involved the transfer of several properties from our client to his son. This included a property in Spain which generated a capital gains loss. Together with the loss on the value of the company shares, this would offset the gain on the other properties, meaning that CGT was not payable.

By keeping the properties outside the limited company, the tenanted flats would not cause any concern about the company shares qualifying for business property relief from inheritance tax (IHT). As the bank had a charge over some of the properties, we entered into discussions with the bank about releasing the charge over those properties being transferred to his son, while retaining the charge over two properties being retained by our client.

These retained properties were valued within our client's IHT allowance and the rental income would cover his income needs in retirement. A term assurance policy was also taken out to cover the IHT liability if our client were to die within seven years of making the transfers.

## Our Team:

Clive Pointon (partner) James Wallace (senior associate), Hugh Strickland (corporate & commercial partner).

