



## CASE STUDIES

# SUCCESSION PLANNING CASE STUDY

### THE CLIENT:

A well-known regional tourist attraction had been on our target list for perhaps 20 years. It had grown successfully, invested in the business and accumulated wealth in property and cash balances.

The founder shareholders were nearing the point where they are ready to hand over to the next generation, and were concerned about Inheritance Tax, and the mechanics of the succession plan. Current advisors were retiring, so the client approached us for guidance.

### The situation:

The business was likely to qualify for Business Property Relief, i.e. exempt from Inheritance tax as a trading business. This status can be affected where assets that don't qualify for BPR become disproportionate to the trading part of the business. This could be property, cash reserves etc. Whilst the situation was probably OK at the moment, there was a concern that the IHT free status might be lost in future.

Alongside this, there was a desire to let the next generation step up, with a larger share of the business value, and to allow the first generation to extract wealth to fund their retirement plans. The discussions around this also identified ambitions to expand property ownership, and it was important to ensure this was also properly planned from a risk and tax perspective.

### What we did:

The starting point was to do all the basics such as producing accounts and doing tax returns quickly to get an up to date picture.

Our meetings with clients explored all of the key issues so that we could understand the family dynamics and future plans.

One interesting aspect was that the business already had the two tier structure that we advise for many clients, so that wealth and assets can be held in the top company whilst trading risk is kept within the subsidiary. However, whilst the structure was in place, nothing had been done to move assets up to the safety of the holding company. This was a simple quick fix we implemented immediately.

The end result was a plan for the first generation to 'cash in' some of their shares and extract some of the wealth they had built up over several decades. This plan was reported to HMRC for clearance so that the client had confidence that there would be no tax surprises.

### The impact:

The key impact is the controlled succession to the second generation of the family in a tax efficient and HMRC approved way.

This also removes the inheritance tax concerns, and the amounts withdrawn are under the Entrepreneur's Relief rules (Now BADR) and taxed at only 10%.

Wealth is now better structured, more tax effective and fits with the whole families' plans.

### What the client has to say:

*"We were very happy with our old advisors, but knew they were going to retire shortly. We did our research and decided that Mark Holt & Co knew the tourism sector well, understood family business, and had the kind of approach we like.*

*At every step they have explained things clearly, listened to our concerns, and executed advice promptly and professionally.*

*We have complete confidence that as our business evolves, they will be able to help us at every step of the way.*