



For Immediate Release

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Great News for Land Owners After Tax Appeal

Landowners throughout the country will be relieved to note the outcome of a recent tax appeal heard by the High Court.

The appeal dealt with a fairly common issue, which was the Inheritance Tax (IHT) position on farm land – in this case land which had been passed into trust.

When the land was transferred, there was no associated transfer of the business or an interest in the business itself. A claim for Business Property Relief (BPR) was made, which makes such a transfer tax free for IHT purposes. The claim was rejected by HM Revenue and Customs (HMRC).

HMRC's argument was based on the fact that the transferred land was used in the business, but was not part of it. The relevant legislation gives BPR 'where the whole or part of the value transferred by a transfer of value is attributable to the value of any relevant business property'. Relevant business property is property which consists of a business or an interest in a business. According to the taxman, this meant that for BPR to apply, it is necessary to transfer a business or part thereof.

The High Court has decisively rejected HMRC's argument. The question is not whether the land itself is business property, but whether the value transferred is attributable to business property. If the transfer from the donor's estate results in a reduction in the value of business property of the donor (the basis of a charge to IHT is the reduction in the value of the estate of the donor), then BPR will apply.

This presents a wealth of planning opportunities to transfer excess assets out of a business and claim BPR. "All that is necessary for a claim to succeed is that the property transferred is part of the business assets. For example, land with a high value due to planning permission having been granted should be capable of being transferred and BPR claimed on that value. However, HMRC are unlikely to leave what they will no doubt see as a major loophole unamended for long. With the Budget now scheduled for 22 April, the time to consider the implications of this ruling for your estate is now."

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For further information regarding this press release please contact Monica Myrie on: 020 8370 2858 or email: monicamyrie@vanderpumps.co.uk. This press release can be downloaded from www.vanderpumpandsykes.co.uk.

About Vanderpump & Sykes: Established since 1899, Vanderpump & Sykes is a well respected North London partnership offering a wide range of legal services to business and private clients.

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