BLACKFINCH
INVESTMENTS

Ensuring the Tax-Efficient Sale of a Business

Please note:

Benefits of tax-efficient investments are subject to change and personal circumstances.

Business Relief rules are changing in April 2026. See the Guide to Business Relief for more information.

Scenario

Clients who are business owners could appreciate support around the sale of a firm. Peter is a serial entrepreneur looking to generate a return on the surplus cash within his business before eventually making a tax-efficient exit. Nearing retirement and a provider to his family, financial planning is key. He's aiming to utilise the surplus cash in order for it to grow , to provide wealth to his family and protect his estate, by maintaining the tax benefits his company already qualifies for. As a result, he's focused on the following:

- Making an investment return on the surplus cash in the business, which otherwise wouldn't be 'put to work', whilst also maintaining control over his capital.

- Mitigating Inheritance Tax (IHT) His shares qualify for Business Relief (BR), which can deliver up to 100% IHT exemption after two years and if held at death. He wishes to maintain BR qualification if possible.

- Reducing Capital Gains Tax (CGT) Exiting will create a CGT liability on net sales proceeds. Peter would like to use Business Asset Disposal Relief (BADR), to reduce tax payable by 10%. In April 2025 BADR will increase to 14%.

- Managing surplus cash £300k of surplus cash held in the business could lead to HMRC restricting the availability of BADR on exit or sale of shares, increasing CGT. HMRC could also deem it an 'excepted asset', leading to losing the BR qualification.

Solution

Peter's adviser introduces him to the Corporate Management Service. A tax-efficient business solution, designed for corporate clients to generate investment returns on their surplus cash, it deploys surplus cash into BR-qualifying trades through lending to small and medium-sized firms. Loans focus on asset-backed and property development lending.

All trading is pre-agreed, with Blackfinch appointed under a management agreement, and robust processes at every stage from sign up to establishment to trading. Each loan's underlying assets also provide strong security to underpin the company's capital.

The service targets a competitive return of 4%–6% per year (net of all fees) with no upper limit. Peter has the assurance that he can stay in control in the run up to exit, as the surplus cash remains within the business.

Steps

Manage surplus cash: Peter uses the £300k to participate in the service. With surplus cash deployed, he can continue with exit plans.

Mitigate IHT: As the surplus cash is deployed into BR-qualifying trades in the form of loans, Peter can look to continue mitigating IHT through BR.

Reduce CGT: As the company is now fully engaged in trading activities, it could benefit from the preferential 10% CGT rate in accordance with BADR (in April 2025 BADR will increase to 14%).

Target a return: Peter also stands to make 4-6% on the potential return on the capital deployed, depending on the return he selected.

Continue IHT mitigation using Replacement Relief (RR): Following exit, Peter can reinvest the sale proceeds in another BR-qualifying investment and regain IHT relief immediately. This is rather than having tohold assets for another two years.

IMPORTANT INFORMATION