BLACKFINCH
INVESTMENTS

# Managing Surplus Cash Held in 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

Graham is part of the management team for an IT solutions business. The business was founded more than 15 years ago, and the management team are all equal shareholders. Having weathered many economic uncertainties down the years, the company is stable with expanded repeat business from several long-term clients.

As a result, the business holds £400,000 of surplus cash on account. This has helped give the management team reassurance through times of economic uncertainty. However, the team recognises that during periods of low interest rates and high inflation, cash in the bank could be working harder.

The management team is also aware they could miss out on very valuable tax reliefs as such a large cash amount could result in HMRC restricting Business Relief (BR) on the death of a shareholder. While BR-qualifying assets are expected to become up to 100% free from Inheritance Tax (IHT) upon the death of the shareholder, surplus cash held within the business could be deemed an 'excepted asset' by HMRC, which would mean the surplus cash could trigger an IHT bill payable on this cash.

## Solution

Graham and the rest of the management team talk to their financial adviser who suggests they put the surplus cash to work through the Blackfinch Corporate Management Service. This aims to maximise the earning potential of surplus business capital while also maintaining attractive tax reliefs for shareholders.

The Blackfinch Corporate Management Service carries out direct lending activity to other small and medium-sized UK companies. The focus is on asset-backed lending and property development lending. It targets a competitive return of 4%-6% per year (net of all fees) with no upper investment limit.

**Steps**

**Management agreement:** Blackfinch is appointed under a management agreement, with robust processes at every stage, from sign-up to establishment of to trading.

**Establishment:** Blackfinch verifies the company's application and uses it to create a business plan for a trading business. This includes loans which Graham and the rest of his management team can choose to review and approve.

**Trading:** All trading is pre-agreed with Graham and his team, and sits within their risk profiles and return expectations. The team has control as the surplus cash remains in the business.

**BR qualification:** Once the surplus cash is being traded in the lending business, the shares of the company should qualify for BR immediately if the rest of company also qualifies for BR.

**Monitoring:** Each loan's underlying assets provide strong security. Assets are transparently valued and Blackfinch continually monitors their value. The team can also exit loans if required to provide liquidity and cash back in to the business.

**Business Asset Disposal Relief:** As the surplus cash is now invested in a trading activity, the company should also potentially attract Business Asset Disposal Relief (BADR), formerly known as Entrepreneur's Relief, which means they would only have to pay the reduced level of Capital Gains Tax payable upon the sale of the business (subject to the £1m per person lifetime allowance).

The BADR rate will increase to 14% from April 2025.



***IMPORTANT INFORMATION***

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