

PRESS RELEASE

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INHERITANCE TAX RELIEFS UNDER SCRUTINY

Farmers and owners of rural businesses need to ensure that their businesses and agricultural land meet the rules for inheritance tax reliefs “to the letter”

Catherine Desmond, partner in the Landed Estates Group of UK top 20 chartered accountants Saffery Champness, is warning landowners and farmers to ensure that their use of property matches the rules to benefit from specific tax reliefs. This follows the announcement last week that the National Audit Office (NAO) is to launch an investigation into the misuse of Agricultural Property Relief (APR), Business Property Relief (BPR) and other reliefs from inheritance tax. The Chair of the Public Accounts Committee, Margaret Hodge, appealed to Ministers to “get a much tighter grip on the use of reliefs in the tax system”.

The NAO report has established that tax reliefs cost seven times the value of the inheritance tax collected, that half the number of estates big enough to pay inheritance tax escape it due to tax reliefs and exemptions, and that APR/BPR will cost the Treasury £800 million in the tax year 2014/15, more than double the cost in 2008/09.

According to statistics from HM Revenue & Customs (HMRC), two out of five estates valued at more than £1 million do not pay inheritance tax. The proportion of untaxed estates over £2 million has also risen from 30% in 2007/08 to 40% in 2010/11.

Catherine Desmond says:

“One certain consequence of this report is that there will be far greater scrutiny of applications for such reliefs and, if the rules are not met to the letter, then we can expect to see more rejections and, possibly as a consequence, more appeals.

“The ‘tighter grip’ advocated will undoubtedly result in a far more thorough evaluation of the working of such reliefs, the closure of loopholes and tightening up of opportunities for misuse.

“Inheritance tax has been in the spotlight recently following David Cameron’s pledge to increase the inheritance tax threshold to £1 million after the next election, subsequently followed by reports that Britain and Ireland charge the highest death duties of the world’s major economies.

“A general increase in the threshold for exemption will place more pressure on HMRC to ensure that reliefs available for estates that would otherwise still be chargeable are being properly applied. From our perspective, it is important that where such reliefs can and should be legitimately utilised that continues to be the case and, in particular, to ensure that farming businesses are not placed at risk of being broken up in order to meet demands for inheritance tax.”

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Contacts: Catherine Desmond, Saffery Champness
Dick Playfair, Playfair Walker

T: +44 (0)161 200 8383
T: +44 (0)131 445 5570

Notes to editors:

About Saffery Champness

Saffery Champness has almost 600 people, including 70 partners and directors. The firm operates from nine offices in the UK, plus offices in Geneva, Guernsey and Zurich. The firm was founded in 1855 by Joseph John Saffery.

Saffery Champness has worldwide associations in over 100 countries through its membership of the global association Nexia international.

For further information about the firm, please visit www.saffery.com.