

Your manager has had a meeting with Brad, a client of your firm. Extracts from your manager's meeting notes together with an email from your manager are set out below.

### **Extracts from meeting notes**

#### **Personal details**

Brad is 69 years old. He is married to Laura and they have a daughter, Dani, who is 38 years old.

Brad had lived in the UK for the whole of his life until he moved with his wife to the country of Keirinia on 1 January 2010. He returned to live permanently in the UK on 30 April 2013. Whilst living in Keirinia, Brad was non-UK resident and non-ordinarily resident. He is now resident and ordinarily resident in the UK. He has always been domiciled in the UK. Brad has significant investment income and has been a higher rate taxpayer for many years.

#### **Capital gains**

Whilst living in the country of Keirinia, Brad sold various assets as set out below. He has not made any other disposals since 5 April 2009.

<b>Asset</b>	<b>Date of sale</b>	<b>Proceeds</b>	<b>Date of purchase</b>	<b>Cost</b>
		£		£
Quoted shares	1 February 2010	18,900	1 October 2008	14,000
Painting	1 June 2012	36,000	1 May 2008	15,000
Antique bed	1 March 2013	9,400	1 March 2010	7,300
Motor car	1 April 2013	11,000	1 February 2009	8,500

I explained that, although Brad was non-UK resident and non-ordinarily resident whilst living in Keirinia, these disposals may still be subject to UK capital gains tax because he will be regarded as only temporarily non-UK resident. There is no capital gains tax in the country of Keirinia.

#### **Inheritance tax planning**

Brad's estate is worth approximately £5 million. He has not made any lifetime gifts and, in his will, he intends to leave half of his estate to his daughter, Dani, and the other half to his wife, Laura. I pointed out that it may be advantageous to make a lifetime gift to Dani. Brad agreed to consider giving Dani 1,500 of his shares in Omnium Ltd and has asked for a general summary of the inheritance tax advantages of making lifetime gifts to individuals.

Omnium Ltd is an unquoted manufacturing company which also owns a number of investment properties. Brad was given his shares in the company by his wife on 1 January 2009. The ownership of the share capital of Omnium Ltd is set out below.

	<b>Shares</b>
Laura (Brad's wife)	4,500
Brad	3,000
Vic (Laura's brother)	1,500
Christine (friend of Laura)	1,000
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	10,000
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The current estimated value of a share in Omnium Ltd is set out below.

<b>Shareholding</b>	<b>Value per share</b>
	£
Up to 25%	190
26% to 50%	205
51% to 60%	240
61% to 74%	255
75% to 80%	290
More than 80%	300

### **Email from your manager**

In preparation for my next meeting with Brad, please prepare the following:

#### **(b) Inheritance tax**

(ii) In respect of the possible gift of 1,500 shares in Omnium Ltd to Dani:

- a calculation of the fall in value of Brad's estate which will result from the gift;
- a detailed explanation of whether or not business property relief would be available in respect of the gift and, on the assumption that it would be available, the manner in which it would be calculated;
- a brief statement of any other tax issues arising from the gift, which will need to be considered at a later date.

### **Tax manager**

#### **Required:**

(b) Inheritance tax.

(ii) In respect of the possible gift of 1,500 shares in Omnium Ltd to Dani. (10 marks)