



Tuesday, 13 December 2011

David Gauke MP
Exchequer Secretary
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Business Property Relief for IHT

In a recent BIS Department commissioned report produced by the London School of Economics the authors have argued for the withdrawal of business property relief (BPR) on Inheritance Tax. The IFB strongly rejects the report's conclusion.

Family firms represent two out of every three businesses in the private sector, employ 9.2m people and generate £1.1 trillion in revenues each year. In spite of one of the fiercest recessions experienced the family business sector has increased its revenues by 6% since 2007, according to independent research by Oxford Economics, a testament to the resilience of family firms.

Family-owned firms not only constitute the majority of our nation's SMEs, but form a significant part of the mid-sized business sector. Larger family companies such as Clarks, JCB, Warburtons and Samworth Brothers are outstanding exemplars of successful businesses, but it's within the over 4,000 mid-sized UK family firms that we are also looking for many of our future champions.

The strength of this part of the family business sector was recognised in a recent report for BIS on mid-sized companies (revenues between £25m - £500m) by Middlesex University Business School where family firms were praised for their 'steady performance' and 'prudent financial management'.

Endorsing those findings at a recent Parliamentary event of the All Party Parliamentary Group for Family Business Dr Vince Cable praised the sector's commitment to long-term planning and indicated that BPR for Inheritance Tax was a key Government policy in support of the sector's needs.

The long-term contribution of the family business sector indeed depends on maintaining fiscal policies that enable owners to plan for succession, while maintaining stable ownership to support the ongoing health of the business. The withdrawal of BPR would have many negative unintended consequences which could prejudice the economic future of our sector. The IFB would like therefore to meet with you personally to discuss these matters and to seek your reassurances regarding continuity of policy in the area of IHT relief for business property.

Yours faithfully,

Grant Gordon, IFB Director General

