

Business Property Relief for Caravan park Owners

Business property relief (BPR) can reduce the taxable value of relevant business property when sold or transferred on death. The taxable value may be reduced by up to 100%, making this relief a valuable succession planning tool.

Qualifying assets

Assets qualifying for 100% BPR include:

- shares in an unlisted company;
- a sole trader business or share in a partnership

Assets qualifying for 50% BPR include:

- shares in a quoted trading company in which the individual has voting control; and
- land, buildings or plant and machinery owned by the individual and used in their partnership or a company that they control.

Trading v Non Trading

The business must be 'wholly or mainly' trading to qualify. Case law has established that 'mainly' trading equates to at least 50% and there are 5 factors which may be considered individually, but the business will be assessed as a whole.

In assessing the trading status or otherwise of a park, the following 5 factors require to be considered:

1. What the business actually does
2. Income derived from trading
3. Profit derived from trading
4. Capital employed
5. Time spent by employees

Businesses with activities consisting wholly or mainly of the letting of land will not be eligible for BPR. It is therefore important to recognise the activities of your business which do and do not qualify.

Trading Activities

Holiday Park businesses may receive income from several sources, the following of which are likely to be considered as trading:

- Buying and selling caravans and park homes
- Commission received from suppliers on the sales of caravans and park homes
- Commission on the sale of insurance products
- Sales of gas, electricity and water
- Income from an onsite shop, restaurant or bar

Non Trading Activities

In comparison, the following income is considered as investment income not trading and therefore fails to qualify for BPR:

- Income from the storage of caravans or tourers
- Any other rental income

Disclaimer: We make every effort to ensure that the information provided is accurate and up to date, however EQ cannot be held responsible for any action taken, or not taken, as a result of reading this publication.

Grey Areas – Pitch Fees

Many park owners will charge pitch fees and this could amount to a substantial proportion of the business income. Courts have consistently found that pitch fees are made up of two components, namely a return on investments for the park owner (in the nature of rent and therefore non trading) and a charge for services (in the nature of trading). Your annual accounts and reporting systems should make this obvious. The basic message is clear, the more common services you add to the basic pitch fee, the better.

Common services include:

- Provision of a shop, bar, restaurant
- Provision of a games/entertainment room
- Children's play area
- Ground maintenance
- Provision of tourist information services
- Security
- Reception service
- Utility supplies
- Provision of hot water & cleaning facilities
- Provision of Wi-Fi & television packages
- Toilet/shower blocks
- Emergency assistance
- Refuse collection
- Welcome packs

The above list is by no means exhaustive but is indicative of the extra services that a trading park offers.

Conclusion

There is no guarantee for securing BPR status for your park, but it is critical to seek professional advice in doing what you can to raise your chances if securing this important relief. EQ's team of leisure specialists will be happy to assist you in making the necessary changes in order to enhance your future position.

You can contact us on 01382 312100 and email us at leisure@eqaccountants.co.uk Our website contains further information on the leisure sector at www.eqaccountants.co.uk

***Disclaimer:** We make every effort to ensure that the information provided is accurate and up to date, however EQ cannot be held responsible for any action taken, or not taken, as a result of reading this publication.*