



# AIM Inheritance Tax Stocks & Shares Individual Savings Account

## Key Features

### 2024 / 25

*This Key Features Document provides important information about the Balkerne Asset Management AIM Inheritance Tax Stocks & Shares Individual Savings Account and is designed to help you make an informed choice about your intended investment. This document does not in itself constitute the provision of advice or make any assumptions as to the suitability of the investment for you.*

***Prior to investing in the Balkerne Asset Management AIM Inheritance Tax Stocks & Shares Individual Savings Account you should consult with your Financial Adviser.***

*Balkerne Asset Management is a trading style of Capel Court Plc which is authorised and regulated by the Financial Conduct Authority (No. 154146).*



## **KEY FEATURES of our AIM Inheritance Tax Stocks & Shares** **Individual Savings Account (AIM IHT ISA)**

### **Its aims and objectives**

- ◆ The Balkerne Asset Management AIM IHT ISA is a discretionary portfolio management service designed for investors wishing to shelter part of their estate from Inheritance Tax with a minimum of **£20,000** to invest.
- ◆ The main aim of using an AIM IHT ISA is to secure Business Property Relief (or Business Relief (BPR)) against inheritance tax for private individuals by investing in a range of qualifying companies.
- ◆ An AIM IHT ISA provides an alternative solution (e.g. to setting up a trust) for individual investors to obtain full IHT relief after 2 years whilst enabling them to maintain control of their assets

### **Risk factors**

- ◆ The AIM IHT ISA is a discretionary managed portfolio of 20 to 40 holdings and has the Investment Objective of capital appreciation with a **Higher Risk Profile**.
- ◆ The preferential tax treatment of ISAs may not be maintained in the future.
- ◆ The value of your AIM IHT ISA, and any income from it, is not guaranteed and you may not get back the amount invested. Past performance is not necessarily a guide to future returns.
- ◆ If you cancel your AIM IHT ISA, you may get back less than the amount you originally invested due to the application of charges and adverse movements in the market.
- ◆ If you decide to cash-in your AIM IHT ISA, particularly in the early years, you may get back less than the amount invested because of the application of charges and adverse movements in the market.
- ◆ If you are transferring an AIM IHT ISA, a Stocks & Shares ISA and/or a Cash ISA to us from another provider, your investment will be transferred as cash or stock. This means your investment could be out of the market for approximately twenty working days, during which time the market may move up or down, resulting in a potential loss of growth and income. Your existing provider may also charge you for transferring.
- ◆ Charges and fees taken from capital may constrain the capital growth of your investment. Where charges and fees are taken from income, and where there is insufficient income to meet such charges, any balance will be taken from the capital. If you decide to take a regular income from your Account where the amount of income paid to you is greater than the income received into your AIM IHT ISA, any balance will be taken and paid out from the capital. Any of these scenarios, over time, may have a negative impact on the value of your investment, especially during adverse or challenging market conditions.

## Your eligibility and commitment

- ◆ Your Financial Adviser will tell you whether or not you are eligible to subscribe to an AIM IHT ISA and how much you can subscribe in any given tax year. You are responsible for ensuring that you do not exceed your maximum ISA allowance in any relevant tax year.
- ◆ You should view this as a long-term investment and should plan to keep it until your death in order for relief from inheritance tax to apply.

## Your investment

There are two types of ISA: a Cash ISA and a Stocks & Shares ISA (inclusive of the AIM IHT ISA)

- ◆ Balkerne Asset Management does not offer a Cash ISA.
- ◆ Subject to the maximum investment limits as determined by HM Revenue & Customs, you may subscribe and pay into multiple ISAs i.e., any number of Stocks & Shares (inclusive of AIM IHT ISAs) and/or Cash ISAs, with the same or different providers, in each tax year.
- ◆ You can make lump sum investments into the AIM IHT ISA subject to the maximum investment limits as determined by HM Revenue & Customs.
- ◆ You can transfer either part of, or the whole of, any of your existing AIM IHT ISAs, Stocks & Shares ISAs and/or Cash ISAs to us from another Account Manager.
- ◆ You can transfer money saved in a Cash ISA to a Balkerne Asset Management AIM IHT ISA in the same tax year. Such transfers may be either part of, or the whole of, the amount saved in that tax year in that Cash ISA up to the day of the transfer. Once the money saved in that tax year is transferred from a Cash ISA to the Balkerne Asset Management AIM IHT ISA, it is treated as if it had been invested directly into the AIM IHT ISA in that tax year.
- ◆ The Balkerne Asset Management AIM IHT ISA will invest in qualifying investments which are those that benefit from Business Property Relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.
- ◆ The level of income that your Balkerne Asset Management AIM IHT ISA will generate depends on the dividends, interest and any other income received from investments in the ISA.
- ◆ You can choose whether you would like to have income paid out, directly to your bank account, or reinvested to add to the value of your investment.
- ◆ The date, frequency and amount of income paid out or reinvested varies. Details are given later in this document.

## **Suitability**

- This portfolio should be viewed as a long-term investment and is suited to clients whose aim is to shelter their capital from Inheritance Tax. In the short term the extent and style of exposure to the Alternative Investment Market (AIM) could produce considerable fluctuations in the value of the investment. Clients must understand that this strategy is a much higher risk than other strategies in the expectation of more tax efficient rewards, which even then may not occur due to factors such as adverse market conditions. Portfolios may be unbalanced and opportunistic in nature. Investors should be aware that the value of their investments, and the income from them, may rise and fall throughout the term of the investment and returns are not guaranteed.

## **Investment Policy**

- To achieve the objective by investing in qualifying investments which are those that benefit from Business Property Relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

## **Asset Allocation Guideline**

- AIM Qualifying Investments 100%

## **Strategy**

- The team at Balkerne Asset Management seek to identify undervalued companies or those that offer growth at a reasonable price; a dual strategy that should serve investors well over the medium to long-term. Our investment style is towards the 'value' end of the investment spectrum rather than the speculative which aims to mitigate the downside risk to capital whilst retaining good upside potential. The focus on capital preservation means an avoidance of more speculative and volatile companies in favour of sustainable business models that are better served to deliver shareholders returns across various market cycles. Having identified companies that are suitable for inclusion in the AIM IHT ISA they will be added to the portfolio as opportunities arise with regular reviews thereafter. Company shares are sold if they are moved to the main market, become ineligible due to a takeover, their prospects deteriorate, or our analysis determines that the shares have become expensive and better relative value can be found elsewhere. No guarantees can be given that HM Revenue & Customs will grant BPR on each investment selected. As such each investment is considered in good faith to be a company qualifying for BPR but it may not be or may cease to be.

## **Systems**

- Our resource systems include Thomson Reuters Eikon, Alpha Terminal, Research Houses and various publications, all of which provide in-depth analysis of markets, pricing, fundamentals and charts which assist in the process of stock selection.

## **Administration and Reporting**

- Once portfolios have been constructed, they are reviewed on a regular basis. Individual investments are monitored daily, and each portfolio is analysed quarterly for structure, asset allocation, stock weightings, performance, income, and risk requirements. Contract notes and an explanation of the transaction are despatched following the execution of a trade with quarterly valuation reports being issued which list individual holdings and their performance over the quarter period.

# QUESTIONS AND ANSWERS

## 1 Who can invest in an AIM IHT ISA?

Any individual who is aged 18 or over AND is resident or ordinarily resident in the UK for tax purposes or be performing duties as a Crown employee serving overseas and paid out of the public revenue of the United Kingdom (typically a serving member of the armed forces, or a diplomat), or be married to, or in a civil partnership with, such a person.

In addition, an investor must not have exceeded the overall subscription limits within any given tax year (i.e., 6<sup>th</sup> April to 5<sup>th</sup> April).

## 2 What is AIM?

AIM (formerly known as the Alternative Investment Market) was launched in 1995 and is a sub-market of the London Stock Exchange. The net market capitalisation of all companies listed on AIM is approx. £78bn (LSEG AIM Factsheet Jan 2024).

AIM is primarily intended for young and growing companies and provides an ideal environment for these businesses to access the capital and liquidity of the London markets.

AIM offers a lower cost and more flexible regulatory framework which is designed specifically for the needs of growing companies.

The size of companies listed on AIM varies greatly, with many companies having a market capitalisation of just a few million pounds. There are 744 companies listed on AIM, with 177 valued at over £100 million (LSEG AIM Factsheet Jan 2024).

## 3 What investments are allowed in an AIM IHT ISA?

The only investments permissible within an AIM IHT ISA are known as 'Qualifying Investments' which are shares in a Company which constitute 'relevant business property' under the Inheritance Tax Act, section 105(1)(bb) and section 105 (3).

An AIM IHT ISA must be fully invested into 'Qualifying Investments' at all times. Any monies in the Cash Account will only be held on a temporary basis pending the purchase of those qualifying investments.

***NOTE that each 'Qualifying Investment' MUST be held for a minimum period of 2 years from the date of investment to become exempt from inheritance tax.***

## 4 What is Business Property Relief?

Any share in a Company that is unquoted, carries on a qualifying trade and has been held for 2 years or more at the date of death, will benefit from 100% Business Property Relief i.e. its value is effectively disregarded for IHT purposes

Shares in Companies traded on AIM are currently recognised as 'unquoted' shares for tax purposes.

Not all shares listed on AIM will qualify for BPR. Essentially the AIM listed Company needs to be a 'trading' Company, meaning that its business must not be wholly or mainly that of:

- Dealing in securities, stocks and shares
- Dealing in land or buildings
- Making or holding investments (unless that of a market maker or discount house)

BPR will not be available to the extent that the Company has any assets that:

- Have not been used wholly or mainly for the business in the previous 2 years (or since acquisition if shorter); or
- Are not required for the future use of the business.

BPR is assessed by HM Revenue & Customs on a case-by-case basis when an investor dies and as such, we cannot provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

## **5 What is Replacement Property?**

If shares in a Company are sold the proceeds can be re-invested into shares in another qualifying Company to maintain the relief from IHT provided that:

- a. The whole of the proceeds have been used to purchase the replacement shares, and
- b. The original and replacement shares have been held for a total period of at least 2 years out of the last 5 years.

If the shares have been inherited from a spouse, then the spouse's period of ownership can be added to the period held by the new investor, in computing the 2-year holding period.

## **6 What is the minimum initial investment level?**

The minimum initial investment level is **£20,000** for lump sum investments / account transfers.

## **7 What is the maximum investment limit for an AIM IHT ISA?**

For the tax year 2024/25, the maximum amount investors can subscribe and pay into an AIM IHT ISA is £20,000, as set and determined by HM Revenue & Customs.

## **8 Can I make additional investments?**

Subject to the maximum ISA investment limits you can make additional investments into your AIM IHT ISA at any time subject to a minimum amount of **£2,000**.

## **9 How many ISAs can I subscribe to during the tax year?**

You are permitted to subscribe and pay into multiple ISAs (inclusive of AIM IHT ISAs) of the same or different types, with the same or different providers, should you so choose, in a single tax year, subject to the overall subscription limit of £20,000.

## **10 Will my AIM IHT ISA provide me with income?**

You can elect to have income paid directly to your bank account. Alternatively, you can elect to have income reinvested to add to the value of your holding.

## **11 How much income will be paid or reinvested?**

You decide on the amount of income that you will receive.

Income paid directly to your bank account may either be a fixed amount as decided by you or a variable amount which depends on the dividends, interest and other income received from the investments in your AIM IHT ISA.

Income reinvested in your AIM IHT ISA depends on the dividends, interest and other income received from the investments in your AIM IHT ISA.

## 12 When is income distributed/reinvested?

Income received into your AIM IHT ISA throughout the year is accumulated. Where requested, you may have income paid to your bank account either:

1. As a variable amount, each quarter on the 18 January, 18 April, 18 July, and 18 October.
2. As a fixed amount decided by you each quarter on 18 January, 18 April, 18 July, and 18 October.
3. As a fixed amount decided by you on 18 of each month

**You should bear in mind that the amount paid to you as a fixed amount each month or quarter may be greater than the amount of income received into your AIM IHT ISA by way of dividends, interest and other income. Where this happens, the balance will be taken from the capital. This scenario, over time, may have a negative impact on the value of your investments, especially during adverse or challenging market conditions.**

## 13 Can I be sure how much my AIM IHT ISA will be worth at any time in the future?

**NO.** The value of your AIM IHT ISA is determined by the value of the stocks it invests in.

**You should bear in mind that the value of your stocks will vary from day to day. Past performance is not necessarily a guide to future performance. Shares and asset prices can fall as well as rise and you may not get back the amount you originally invested.**

## 14 How am I kept informed about my AIM IHT ISA?

Valuation Statements will be sent to you every quarter within 21 days of 31 March, 30 June, 30 September, and 31 December using our Valuations Online Service which is accessed via our website [www.balkerneassetmanagement.com](http://www.balkerneassetmanagement.com). Login credentials will be sent to you for this purpose.

In addition, you will be sent an annual statement as at 05 April (issued by the end of June), including where applicable, a Consolidated Tax Voucher, full cash, dividend and transaction statements and a Capital Gains Tax report, all via the Valuations Online Service.

## 15 What happens to my AIM IHT ISA if I move abroad?

You can continue to hold your AIM IHT ISA if you move abroad but in most circumstances you will not be able to make any further contributions. If you move abroad, you must notify us in writing of your new mailing address, quoting both your new and old addresses.

## 16 How can I take my money out?

You can cash in part or all of your investment at any time. If you cash in part of your investment, the remaining value of your AIM IHT ISA must be above the minimum investment level of **£20,000**.

To withdraw monies from your AIM IHT ISA you should advise the Account Manager in writing. All withdrawals will normally be paid to you within 10 working days from the date of receipt of your written instructions.

You must note that this is not a Flexible ISA which means that any monies withdrawn from your AIM IHT ISA cannot be reinvested into the same or another ISA without those monies counting towards your annual ISA subscription limit as determined by HM Revenue & Customs.

Where a withdrawal of monies from your AIM IHT ISA results in the value of your Account falling below our minimum investment level, Balkerne Asset Management reserves the right, and at its sole discretion, to close your Account by liquidating the remaining stocks and on completion of all sales to forward you the proceeds within 10 working days, subject to giving you at least one month's notice in writing.



## 17 How will charges and expenses affect my investment?

There is an Initial Charge of 1.5% for making the first and subsequent lump sum subscriptions into the Balkerne Asset Management AIM IHT ISA. There is also an Annual Management Charge (AMC), which is charged quarterly in arrears, and is based on the value of an individual Account as at 31 March, 30 June, 30 September and 31 December. The current AMC is 1.5% pa plus VAT.

In addition, dealing charges relating to the buying and selling of 'Qualifying Investments' are levied at the following scale:

1.25%	on the first	£ 7,500
0.75%	on the next	£12,500
0.50%	thereafter	

The Company will retain the difference between the above scale and lower dealing charges. Other mandatory charges, e.g. Panel of Takeovers & Mergers Levy (£1.50 when consideration is £10,000 or greater on equity and investment trust trades) will be applied when applicable.

Balkerne Asset Management are required to expedite their regulatory and administrative responsibilities for compliance and transaction/portfolio reporting (daily, monthly, quarterly or half-yearly as required) to industry regulators, you and other authorised entities (e.g. SIPP providers) for which an Annual Compliance Charge (ACC) is levied against each individual investment portfolio at the following rates:

Portfolio Value of up to £100,000	£40 plus VAT (£48)
Portfolio Value of £100,000 and over	£80 plus VAT (£96)

The ACC is based on an individual investment portfolio valuation as at 31 December.

## 18 How much will any advice cost?

For arranging this transaction, we will pay your adviser an initial adviser remuneration charge, based on the amount you have invested, as per your instruction on the adviser-agreed remuneration form. We will also pay a portfolio-based ongoing adviser remuneration charge, quarterly in arrears, based on the value of your investment per annum, as per your instruction on the adviser-agreed remuneration form.

## 19 What happens if I close my AIM IHT ISA?

If you close your AIM IHT ISA completely, the stocks will be sold. The proceeds and any cash held within your ISA will normally be paid to you within 10 working days from the date of receipt of your written instructions. You may also be entitled to a further payment for items such as income distributions, tax repayments and interest accrued during the term of the ISA but not received until after the proceeds have been paid to you. Any such further payment will be sent to you normally within four months of receipt of your notice to close the ISA. On closure, disposals will be subject to our normal dealing charges and any outstanding management fees will be debited to the ISA up to and inclusive of the date of closure. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

## **20 Can I transfer an existing ISA from another provider to Balkerne Asset Management?**

Yes. ISAs from other providers can be transferred to the Balkerne Asset Management AIM IHT ISA using the ISA Transfer Application form.

Balkerne Asset Management only offers a Stocks & Shares ISA (inclusive of the AIM IHT ISA). Either Cash and/or Stocks & Shares ISAs may be transferred in.

If you are transferring only part of a previous year's ISA, you must provide details of how much and from which tax year you wish to transfer on the Transfer Application form.

For transfers of your current tax year's ISA, you may transfer either part or the whole amount saved (right up to the day of transfer) in the current tax year.

If you transfer an ISA to us from another provider, you will not receive a cancellation notice from us, which means you will not have the option of immediately transferring your ISA on again to another ISA manager. You may however choose to have your ISA proceeds returned to you, though this may lead to you getting back less than was transferred if the market has fallen in that time and it will also result in the loss of the ISA status relating to those proceeds.

Upon receipt of your completed Transfer Application form we will contact your existing ISA Account Manager to arrange the transfer and contact you once the proceeds have been received (this may take up to 20 working days to complete). You should be aware that where stocks in your existing ISA are sold prior to transferring the proceeds to us the monies will be out of the investment market during the period of the transfer.

You may continue to receive income from your investments with your existing Account Manager(s) after the date of transfer. This income will either be forwarded to us by your existing Account Manager(s) or paid by them directly to you according to your agreement with them.

Transfers can be made either as stock (in specie) or as cash; either way the investment does not lose its ISA tax status during the transfer process.

## **21 Can I transfer my Balkerne Asset Management AIM IHT ISA to another provider?**

Yes. In accordance with the ISA regulations, you may transfer all or part of your AIM IHT ISA to another ISA Account Manager where they agree to such a transfer.

Following receipt of your written instructions and acceptance from the new Account Manager we will sell the required number of stocks in your ISA and transfer the proceeds or, if requested by you, transfer the required number of account investments (without selling the stock i.e. in specie) to the ISA Account Manager of your choice.

Subscriptions to a Stocks & Shares ISA (inclusive of the AIM IHT ISA) can be transferred to another Stocks & Shares ISA or a Cash ISA.

Transferring the account investments in specie are subject to a charge of £25 +VAT per holding, plus Nominee costs as applicable.

Any outstanding management fees will be debited to all ISAs transferred to another provider up to and inclusive of the date of transfer. There will be no refund, in whole or part, in regard to the Annual Compliance Charge.

## **22 What happens if I die?**

If you die, your AIM IHT ISA will be re-designated as a 'Continuing Account of a Deceased Investor' and will continue to be exempt from tax until the end of the period prescribed by legislation.

Any cash held in the portfolio at the time of death will not qualify for IHT relief.

The required 2-year holding period applies to each individual investment and not the portfolio as a whole.

Qualifying investments that have been held for at least 2 years, and are still held at the time of death, can be passed to beneficiaries free of Inheritance Tax. In the event that BPR is not, or is no longer, applicable on an investment, that investment will be liable and subject to Inheritance Tax at the prevailing rate.

Until your executor's instructions and Grant of Probate or Letters of Administration are received, your investment will continue to be subject to market movement.

Upon the request of your executors or appointed administrators, Balkerne Asset Management will collate and produce a portfolio valuation specifically for probate purposes for which there will be a charge as detailed in our Schedule of Charges and Costs of our Services.

Balkerne Asset Management will only act upon the written instructions and signed authority of ALL executors and/or administrators to the estate.

## **FURTHER INFORMATION**

### **Cancellation Rights**

Cancellation rights do not apply.

### **Tax**

You will not pay any tax on capital gains made within the ISA.

You will not pay any tax on income withdrawn from your ISA.

The purchase of AIM shares is exempt from Stamp Duty, saving 0.5% of the purchase value.

This information is based on current legislation and HM Revenue & Customs practice. Legislation and tax practice may change in the future.

Tax regulations are complex and are subject to interpretation by HM Revenue & Customs. There is a risk that stocks may not qualify for BPR or that the rules may change and the levels and basis of relief from taxation may alter or disappear. Furthermore, the tax status of Companies can change.

The value of any tax relief will depend on the individual circumstances of the investor. Potential investors are recommended to seek profession advice about the tax implications for their particular set of circumstances.

### **Cash held in the AIM IHT ISA**

An AIM IHT ISA must be fully invested into 'Qualifying Investments' at all times. Any monies in the Cash Account will only be held on a temporary basis pending the purchase of those qualifying investments.

Any interest arising on cash held in your AIM IHT ISA pending investment or payment to you will be credited to your account gross, as prescribed by HM Revenue & Customs.

### **Buying and selling Qualifying Investments**

The underlying investments which make up your AIM IHT ISA are bought and sold by the account manager who has total discretion as to the timing of such transactions.

The Balkerne Asset Management AIM IHT ISA will invest in qualifying investments which are those that benefit from Business Property Relief (or Business Relief (BPR)) at the time of purchase. We cannot, however, provide any guarantees or assurances that such investments are, or will remain, as qualifying investments.

### **Money Laundering**

We reserve the right to carry out any money laundering checks as may be required by regulations.

### **Law**

This investment is governed by the Law of England and Wales.

## **RISKS OF AIM COMPANY SHARES**

Investment in Companies listed on AIM are only suitable for investors whose Attitude to Risk is such that they wish and can afford to be exposed to **high-risk** investments. Investors should only contemplate investing in AIM shares if they can sustain a loss of the capital committed.

Investors should be aware that investment in AIM Companies carries a higher risk than Companies on the main market of the London Stock Exchange.

AIM Companies are subject to lighter regulatory requirements than Companies listed on the London Stock Exchange main market when listing and reporting. It may be difficult to obtain reliable information as to the value and the risks to which the shares are exposed.

Shares in AIM Companies may be difficult to sell and Market Makers may not be prepared to trade in them.

Investment in AIM Companies should be considered as a long-term investment i.e. at least 5 years.

Share price volatility can typically be greater in Smaller Companies and the volatility of the AIM Market is higher than the London Stock Exchange main market.

### **Investment Risk Health Warning**

**The value of investments can go down as well as up and, as a consequence, the value of your portfolio at any given point in time cannot be guaranteed. Upon withdrawal or transfer of your portfolio you may not realise the sum originally invested. Past performance cannot be relied on and is not necessarily a guide to future returns.**

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