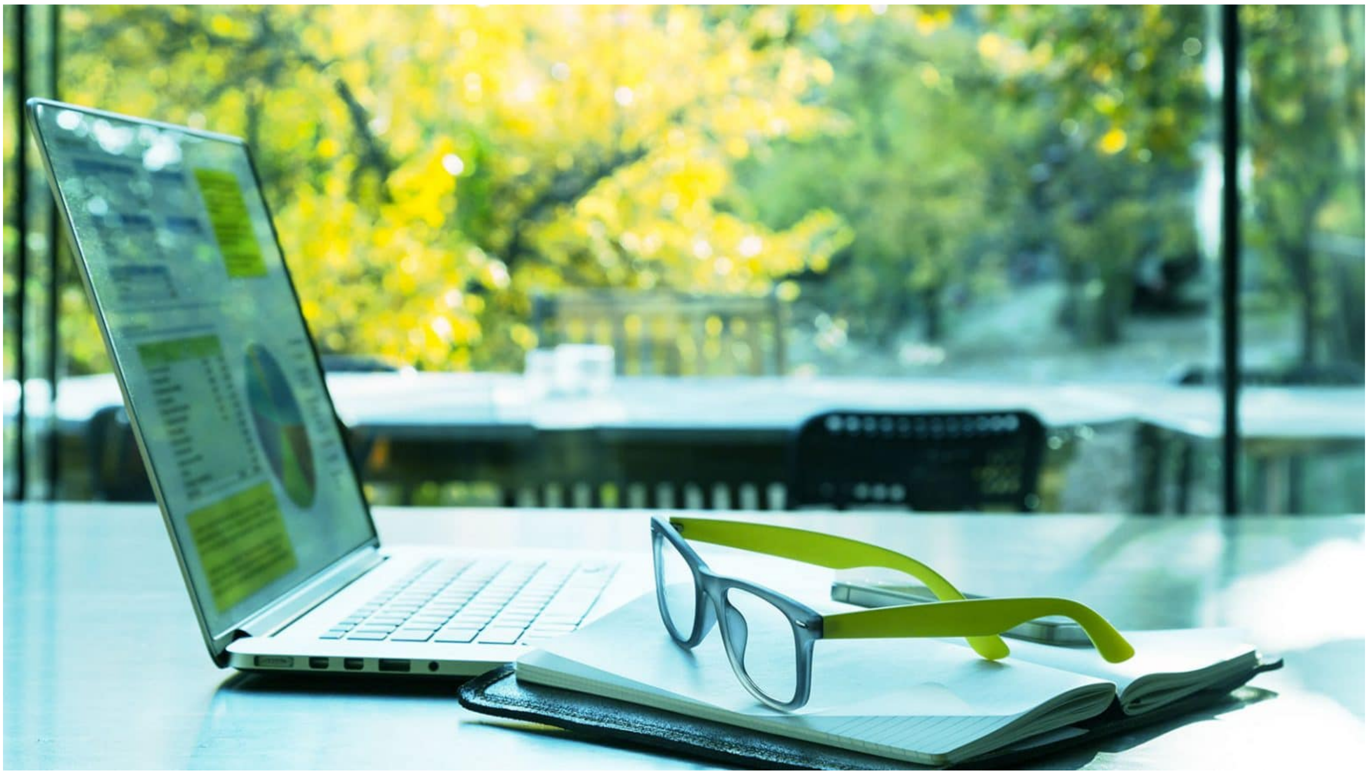
Wine and tax: the not so perfect pairing



Whether you are growing your wine cellar for the pleasure of drinking it, or for less heady investment reasons, it is important to be aware of key tax and succession planning considerations.

Waste not, want not

For capital gains tax ('CGT') purposes wine is a chattel, and if sold (or given away) during lifetime, may be subject to CGT unless exempt as a 'wasting asset' (an asset with a predictable life of less than 50 years at the time of acquisition).

HMRC are likely to argue that a fine wine is not a wasting asset if capable of withstanding significant ageing, and remaining drinkable after 50 years. CGT may therefore be payable if the gain exceeds £6,000.

I give my fine wine to...

Whether making a birthday gift of a bottle whose vintage matches the recipient, or passing the contents of your much-loved cellar through your will, wine will, like any other asset, be subject to inheritance tax.

Tax considerations aside, the key will be identifying who gets what. A gift to your executors, combined with a letter of wishes you can update with each new bottle, will ensure maximum flexibility and (hopefully) minimum argument.

Ensuring 'clarety'

Our top tips when dealing with your cellar are:

1. Keep detailed records of the wine, e.g. date of purchase, vintage, terroir, provenance and storage conditions;
2. Ensure your wine collection is covered in your will; and
3. Consider which bottles are worth drinking yourself now to avoid the complication!

How we can help

We are here to help and ensure your tax planning and succession planning is all in place. If you need expert advice, please do not hesitate to get in touch.

Kate Arnold

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