

CAPITAL GAINS TAX: ENTREPRENEURS' RELIEF (INDIVIDUALS)

Entrepreneurs' Relief reduces the amount of Capital Gains Tax (CGT) when disposing of qualifying business assets, typically this will be when you sell or close your business:-

- The relief can be claimed multiple times up to a current lifetime limit of £10 million, although this limit has changed several times since the relief came into force on 6 April 2008.
- There is no automatic entitlement to Entrepreneurs' Relief so a formal claim must be submitted to HM Revenue & Customs using the relevant claim form or through a Self Assessment Tax Return.
- The claim must be made by the first anniversary of the 31 January following the end of the tax year in which the qualifying disposal takes place:-

Tax year of disposal	Claim deadline
2014/15	31 January 2017
2015/16	31 January 2018
2016/17	31 January 2019

Entrepreneurs' Relief can be claimed if you meet the qualifying conditions relevant to the type of disposal being made throughout the period of one year ending with the disposal (the qualifying period).

Disposal of the whole or part of your business

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| Qualifying conditions | <ul style="list-style-type: none"> • Owned the business directly or as a member of a partnership throughout the qualifying period. • Relief is not available on the disposal of assets from a continuing business, unless comprised in the disposal of a distinct part of the business. |
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| Qualifying assets | <ul style="list-style-type: none"> • Includes goodwill (provided the disposal is not to a related company) and business premises. • Excludes shares and securities and any other assets held as investments. |
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Disposal of assets following cessation of your business

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| Qualifying conditions | <ul style="list-style-type: none"> • Owned the business directly or as a member of a partnership throughout the qualifying period. • The date of disposal must be within three years of the date the business ceased • If the asset is owned by you but used by either your partnership or by a company at the time the business ceased, this may instead be an 'associated disposal'. |
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| Qualifying assets | <ul style="list-style-type: none"> • Excludes shares and securities and any other assets held as investments. |
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Disposal of shares in or securities of your personal company

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| Qualifying conditions | <ul style="list-style-type: none"> • Personal company: you hold at least 5% of the ordinary share capital and that holding gives you at least 5% of the voting rights in the company; • A trading company or holding company of a trading group; and • You must be either an officer or employee of the company or an officer or employee of at least one member of the trading group. |
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| Qualifying assets | <ul style="list-style-type: none"> • Shares and securities in your personal company. |
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Associated disposal

Qualifying conditions	<ul style="list-style-type: none"> • There must be an associated disposal of either your interest in the partnership or of shares/securities in the company. For disposals on or after 18 March 2015 you must dispose of at least a 5% stake in the business in order to benefit from relief on an associated disposal. • Whilst there is a reduction in your interest, it is not necessary to actually reduce the amount of work carried out for the business. • The associated asset must have been in use for the purpose of the business throughout the qualifying period. • Relief can be restricted where:- <ul style="list-style-type: none"> ▪ the asset is used in the business only part of the time, or ▪ only part of the asset is used within the business, or ▪ you were involved in carrying on the business for only part of time, or ▪ you received any form of rent for the use of the asset.
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Qualifying assets	<ul style="list-style-type: none"> • Assets owned by you personally but used in a business carried on by either a partnership of which you are a member or by your personal trading company.
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Amount of relief

Qualifying gains (within lifetime limit)	<ul style="list-style-type: none"> • Charged to CGT at the rate of 10%. • Prior to 23 June 2010 gains were reduced by $\frac{4}{9}$ and charged at 18%.
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Qualifying gains (exceeding lifetime limit)	<ul style="list-style-type: none"> • If the gain, together with all previous gains, exceeds the limit, the excess is charged as the top slice at rate of 10% or 20%.
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Calculation	<ul style="list-style-type: none"> • It is important to plan the timing of disposals qualifying for Entrepreneurs' Relief with the disposal of other (non-qualifying) assets as:- <ul style="list-style-type: none"> ▪ The annual exemption and any allowable losses can be utilised in the best way for the taxpayer (i.e. set against other gains first). ▪ Qualifying gains use the basic rate band ahead of other gains. • Husbands, wives and civil partners are treated separately for Entrepreneurs' Relief. Each is entitled to relief up to the maximum lifetime limit provided the relevant conditions are satisfied.
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Deferred gains	<ul style="list-style-type: none"> • Eligible gains arising on or after 3 December 2014 which are deferred into investments which qualify for the Enterprise Investment Scheme (EIS), or a claim for Social Investment Tax Relief (SITR), will still benefit from Entrepreneurs' Relief when the gain is realised, i.e. on the disposal of the EIS shares or SITR investment.
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Lifetime Limits

From	To	Limit
6 April 2008	5 April 2010	£1 million
6 April 2010	22 June 2010	£2 million
23 June 2010	5 April 2011	£5 million
6 April 2011		£10 million