

Entrepreneurs' relief

Whether you're just starting out in business, thinking about selling, or looking to reinvest your sale proceeds, there are plenty of tax issues for you to consider.

Whatever stage you're at, we at Foot Anstey want to help you find the most tax-efficient route.

We've put together this very brief guide for business owners. If you'd like to find out more about any of the issues covered, do give us a call and we'll be happy to help.

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WARNING

The information contained in this guide is for generic use only and cannot be relied upon for any specific transaction. We recommend that specialist professional advice is taken from a member of our tax team before entering (or refraining from entering) into any specific transaction or structure.

What is it?

A tax relief which provides an effective capital gains tax rate of 10%.

- Lifetime limit of £1m per person on qualifying gains
- Any number of disposals
- No minimum age qualification.

How it works

- By reducing the first £1m of lifetime gains by 4/9ths
- £1,000,000 x 5/9ths x flat rate of 18% = £100,000
- $\frac{£100,000}{£1,000,000} \times 100 = 10\%$ effective rate of tax.

When it applies

Applies to capital gains made on disposals by **individuals** of:

- shares in a trading company - if seller is an officer or employee of the company and has held at least 5% of share capital and voting rights for one year prior to sale
- the whole or part of a business, if owned by seller throughout the previous year
- certain assets used in a business that has ceased to trade.

How to claim it

Not automatic – claim must be made on or before first anniversary of 31 January after tax year of disposal

Other points to note

Losses and the annual exempt amount are set against chargeable gains after ER

Can claim ER on gains which previously qualified for Enterprise Investment Scheme relief

Transitional provisions apply for share/loan note exchanges that occurred before 6 April 2008.