

## Share sale or asset sale – the pros and cons

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.**

The way a deal is structured can have huge tax implications. These are some of the pros and cons of the alternative routes.

### Share sales – advantages

- Potential **Entrepreneurs' Relief** for individuals – can reduce CGT to 10%
- Potential **Substantial Share holding Exemption (SSE)** for companies holding 10% of share capital in company being sold – gain exempt from CGT
- Defer CGT by way of **share for share exchange relief**
- Acquisition of valuable tax assets (eg trading losses, capital losses)
- VAT exempt
- Indexation allowance (corporate sellers only).

### Share sales - disadvantages

- Potential **double tax charge** where target company is owned by individuals (corporation tax for selling company on gains; income tax for shareholders on dividends paid out of profits)
- Business assets retain lower historic base cost.

### Asset sales – advantages

- Stamp duty at 0.5%
- Higher base cost on acquisition of assets
- Potential corporation tax relief on acquisition of intellectual property.

### Asset sales – disadvantages

- Stamp duty land tax at up to 4% on land and buildings
- VATable unless transfer of going concern
- Potential Entrepreneurs' Relief - but must be related to the sale of the whole or part of a business.