

CAPITAL GAINS TAX

DISPOSAL OF A BUSINESS – Entrepreneurs Relief (ER)

Where you make a ‘material disposal’ of ‘Qualifying Business Assets’ that you have owned for a minimum period of one year you potentially qualify for ER.

With effect from 22nd June 2010 the rate of Capital Gains Tax payable on such disposals was reduced to 10% with a lifetime limit of relief of £5m. The lifetime limit was increased to £10m with effect from 6th April 2011.

Material Disposal of Qualifying Business Assets

A material disposal is usually defined as :

- 1) the whole or part of a business
- 2) assets used in a business at the time it was discontinued
- 3) shares* or securities of a personal trading company, where you are an officer or employee.
- 4) associated disposal of assets owned by you personally used for the purposes of your trade.

Restrictions on Relief

To obtain full relief the assets must have met the qualifying purpose throughout the period.

Renting personal property to your company

It is often the case that the business premises are owned by the business owner in his personal capacity (and there are a number of good reasons why this should be the case) and that the purchase has been funded at least in part by a mortgage or other borrowings.

Those borrowings are in turn often funded by the business paying a rent.

In these circumstances ER will be restricted or lost entirely, subject to the level of rent charged in comparison with a full market rent.

*Minimum 5% holding

Inevitably this factsheet generalises to convey an overall understanding of the legislation. You should seek advice if there are any points which require clarification or a more detailed analysis of your specific circumstances.