

What is Entrepreneurs' Relief?

In the 2008 Budget speech, the Chancellor provided further details of the significant changes to the taxation of capital gains. These changes will come into effect for disposals made after 5 April 2008.

The old system of taper relief and business/non-business assets will be removed and replaced by a flat rate of Capital Gains Tax of 18%.

However in order to provide an incentive to small business shareholders and owners, a reduced effective rate of tax of 10% will apply on the first £1million of gains realised in a lifetime.



What are the Qualifying Conditions and Rules?

Entrepreneurs' Relief is available for gains arising on the disposal of:

- All or part of a business
- Business assets following the cessation of a business

There are specific conditions that must be met in order for the sale of shares to qualify for the 10% rate of tax, the main conditions are :

- The company must be a trading company or the holding company of a trading group; and
- The shareholder must own at least 5% of the ordinary share capital and have the power to exercise 5% of the voting rights; and
- The individual must be an officer or employee of the company.

These conditions are not always straightforward and therefore individuals are advised to take further professional advice before making a decision to dispose or hold.



How Can Wisteria Help?

Wisteria's tax specialists can provide advice and assistance in relation to Entrepreneurs' Relief and Capital Gains Tax generally. This includes providing specific tax planning advice as well as assisting with the completion of relevant returns and forms. This can include advising on ways to mitigate or defer any tax liability arising.

For further information please contact:

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