

ENTREPRENEURS' RELIEF

In the Pre-Budget Report in October 2007 the Chancellor, Alistair Darling, announced a series of changes to the capital gains tax (CGT) regime for individuals and trustees. These changes included the abolition of taper relief and indexation relief and the introduction of a single rate of CGT of 18%. The changes take effect from 6 April 2008.

On 24 January 2008, in response to pressure from the business community, the Chancellor announced a new 'Entrepreneurs' Relief'. The first £1m of gains qualifying for relief will be charged at an effective rate of 10%.

Gains in excess of £1m will be charged at 18%. An individual will be able to make more than one claim for relief, up to a lifetime total of £1m of gains.

Business leaders had been calling for the re-introduction of a form of Retirement Relief, which some of you may remember. The rules for retirement relief required you to have been in business for a number of years but the new rules are designed to be simpler:

- there will be no minimum age limit, and
- relief will be available where the relevant conditions are met for a period of one year.

The relief will apply to gains arising on the disposal of:

- the whole, or part, of a trading business that is carried on by the individual, either alone or in partnership, and
- shares in a trading company, or holding company of a trading group, provided that the individual owns broadly a 5% shareholding and has been an officer or employee of the company.

Commenting on the announcement Richard Lambert, Director General of the CBI, said:

'This is superficially quite clever and on the surface might seem like a relief after three months of uncertainty, but even the smallest business owner will lose taper relief and indexation and be worse off.

The reality is that these revised measures will do nothing to help the real business powerhouses of this country. Although £1 million might sound a lot, it could have been built up over twenty or thirty years. It is clear that the real wealth and job creators of the UK's economy, selling assets for a lot more, will be seriously clobbered.

Today's changes still discriminate against the long-term holding of assets, in favour of short-termism, and will do nothing to restore stability to the life insurance market, which faces a period of turmoil.'

January 2008

Please do get in touch if you have any immediate concerns. We will let you have further detail once this is available.

Internet Links: [HMRC guidance](#) and [CBI Press release](#)