

CGT Changes: Entrepreneur's Relief Subject To Change?

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There was much discussion before the General Election that individuals may consider acting before the 12th December to forestall changes should the Labour Party get in especially with regards to capital gains tax, where some people's rate of tax would increase by a factor of 200%-400%.

The results of the 12th December election speak for themselves, and widespread tax increases are presently off the agenda, but the Conservative manifesto committed only that it would not "raise the rate of income tax, VAT or national insurance". There was no mention of capital gains tax (CGT).

There have been numerous reports in the Press of changes to entrepreneur's relief and the current rate of tax at 10% up to gains of £10 million perhaps as early as the Budget on 11th March.

On one hand these rumours fit with Boris Johnson's "one nation" policies and his undertaking to realign the Government with the perceived values of Labour heartlands.

On the other hand, it is notable that a significant time in Parliament will be taken up with matters involving Brexit as was seen in 2019 the ability and appetite to put forward significant legislation changes may be diminished.

With only around just under two months to go, there may be a limited ability to make changes, but for those who are able to crystallise a CGT event, this may be advisable to capture tax obligations at today's rate. It is only just a little over ten years since we saw the last significant changes to CGT and on this occasion, there was a "bedding in" period before the end of the tax year, but this may not be the case this time around.

Naturally it may not be appropriate or practical to dispose of certain assets and there will be a need for detailed tax advice but in understanding what level of capital is needed to achieve your lifetime objectives this is an area we specialise in particularly for those who run owner managed businesses (OMBs). Helping these people is a core speciality of mine.