

## Entrepreneurs' Relief just got a whole lot better



Entrepreneurs of all varieties should benefit from the recent Capital Gains Tax changes (Photo: Flickr/[Ray Daly](#))

I am all for simplification but whilst the 2010 changes to Capital Gains Tax simplified the rules, they have made them unfair and incentivised the wrong behaviour.

Historically, we had Indexation and Taper Relief which gave individuals the ability to reduce the level of tax they paid on capital gains the longer then held an investment for. The rules since April 2010 incentivise the wrong behaviours as they effectively reward individuals who rapidly turn over assets (speculating) but penalise individuals who hold assets for the longer term (saving or investing) by failing to take into account inflation.

The higher rate of capital gains tax will be reduced to 20% (from 28%) after deduction of costs and capital gains tax allowance (£11,100 in the 2016/17 year), for basic rate tax payers the rate will fall from 18% to 10%. My initial reaction to the changes yesterday to Capital Gains Tax, is positive but most interesting of all is Entrepreneurs' Relief is not only going to be retained at its current level but it will be extended to unlisted companies.

As it currently stands most owner manager businesses that we work with will qualify for Entrepreneurs' Relief which allow a maximum rate of taxation of 10% on gains up to £10 million per individual per lifetime. As long as assets are held for one year, an individual is active in the business, and their shareholding is at least 5%; Entrepreneurs' Relief can ordinarily be applied for.

The issue has been for rapidly growing companies, or firms that have otherwise taken investment from external sources, where an individual's shareholding may have fallen below this critical 5% threshold either due to partial sales (de-risking) or through additional investors (dilution). In the future, it should be that there is no minimum holding required to be held for the purposes of Entrepreneurs' Relief, nor any need to work in the business. This will allow investors to consider other investments as part of a portfolio, to take shared ownership in favour of salary, or take bonus shares, for example as a Non-Exec Director. Importantly it will protect

individuals who as part of a growth strategy. sell or otherwise dispose of, their shareholdings to third parties.

Wingate Financial Planning specialise in giving financial advice to Owner Managed Businesses and Entrepreneurs' Relief is one of just several considerations that are important as a business is sold.

We would be happy to bear the cost of a discussion on how we might help you understand what you require from your business over your lifetime, and help with the management of sale and exit. Please contact Alistair Cunningham for further details.