

## STOP PRESS

### New 'Entrepreneur's Relief'

It has been an anxious few months for business owners, facing a jump in their Capital Gains Tax rate from 10% (after taper relief) to a flat 18% from 5 April 2008.

These proposals have proved controversial – business groups have turned-up the pressure over recent weeks to try and force a climb-down or rethink. As a result, the Chancellor announced on 23 January a concession for business owners selling or disposing of their business. It looks set to restore a 10% tax rate for many business owners but as always the details may derail things for some people.

In principle, a business owner can now sell one business or a number of businesses and enjoy a 10% Capital Gains Tax rate on the first £1million of gains. The relief will apply to 'associated disposal' of assets, for example trading premises that are sold at the same time as the business.

With such rapid and unpredictable changes in direction by the government, planning ahead remains difficult and the **detailed legislation on this issue is not yet available**. There will inevitably be opportunities and pitfalls arising from the changes and these will come to light over the next few weeks.

As always, make sure that you keep in close contact with your Target adviser – the changes ahead are important ones and could make a large impact on your finances and business strategies.

### Key points:

- Available from April 08 alongside the new CGT reform program
- A concession to individuals involved in running a "trading" business
- Applies to gains made when disposing of all or part of a business and to disposal of associated assets
- First £1m of qualifying gains made after 5 April 2008 taxed at 10%
- Gains above £1m taxed at 18%
- Lifetime limit of £1m at 10% rate
- When selling company shares, the relief is available only to 'officer or employee' shareholders (holding more than 5% of the shares and votes). This condition must have been met for at least one year before sale.
- As for taper relief, shares need to be in a 'trading' company or Group. Significant company investment assets, including cash, may result in the relief being lost.