

Some relief for Entrepreneurs?

As reported in earlier editions of Chamber News (“Enterprise Still Under Attack?”) Alistair Darling - in virtually his first act as Chancellor - proposed replacing the complicated tiered rate capital gains tax rules for individuals with a flat rate of 18% for all disposals. This was likely to hit business owners hardest, as they often benefit currently from a rate of just 10% for selling businesses. This 80% increase in tax from 10% to 18% on such sales was seen as likely to stifle business investment and hit smaller business owners who often see the value in their business as their retirement nest egg.

The proposals had been roundly condemned, with your Chamber joining many business organizations in writing to the Chancellor urging him to reconsider the impact on businesses. We are pleased to say that changes have been announced, on 24 January, which will help some of our readers. An Entrepreneurs Relief is to be introduced, with a new lifetime £1m of business disposals which can still receive the 10% tax rate. While not ideal, as substantial transactions will still be badly hit, this change is welcomed as it will soften the impact for smaller business owners.

It should be noted that to benefit from the relief, one must be an owner of the business, or if selling shares a substantial shareholder and also an employee or director. Those people who would therefore have benefited from a 10% rate as passive investors in businesses will still lose out with no entrepreneur relief available. It remains to be seen how and whether these proposals may yet be amended before they are introduced in the Spring Budget.

As always, there are opportunities and pitfalls connected with these changes, and we would urge readers who may be affected to seek appropriate professional advice.

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