



# Corporate Alert

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Issue Date: 25 January 2008

## New Capital Gains Tax Relief for Entrepreneurs

Alistair Darling, the Chancellor of the Exchequer, has announced the introduction of a new “entrepreneurs’ relief” in what is seen by many as a significant climb down from his original proposals to reform the capital gains tax (“CGT”) regime.

In the Pre-Budget report last October the Chancellor announced that with effect from 6 April 2008 taper relief on capital gains would be abolished and a new flat rate of CGT of 18% would be introduced. Under the existing regime, it has been possible for someone disposing of qualifying business assets (including shares) which have been held for more than two years to achieve an effective rate of CGT of 10%.

In a move to placate the concerns raised by the Pre-Budget Report the Chancellor has now announced a new relief for “entrepreneurs” disposing of their businesses. The relief, which will take effect from 6 April 2008, will apply when an individual disposes of:

- the whole or part of a business carried on by that individual either alone or in partnership; or
- ordinary shares in a trading company, provided that the individual has been an officer or employee of the company and he owns at least 5% of the shares of that company and is able to exercise at least 5% of the voting rights in that company.

The effect of the relief, which operates by reducing by 4/9ths the first £1 million of gains liable to CGT, will be to produce an effective rate of CGT of 10% on the first £1 million of gains.

The full £1 million limit is not, however, available on each disposal but instead this will be a lifetime limit operating on cumulative gains up to £1 million made by an individual at any point during his lifetime. Once the cumulative threshold is reached, gains in excess of £1 million will be charged at the new flat rate of 18%.

Although we are still awaiting the draft legislation relating to this new relief, the Government has confirmed that there will be no minimum age to qualify for the relief and, in general, the relief will be available where the assets or shares have been held for just one year.

The Government has estimated that the introduction of entrepreneurs’ relief will cost the Treasury around £200 million per year, but it remains to be seen whether its turnaround on this issue is sufficient to encourage the type of entrepreneurial investment which is crucial to the UK economy as a whole.

For assistance on this, or any other matter, please speak to your usual Halliwells’ contact or **Sophie Brookes** at [sophie.brookes@halliwells.com](mailto:sophie.brookes@halliwells.com) or Tel: 0161 831 2683.

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**Halliwells LLP** Tel: +44 (0)844 875 8000

3 Hardman Square Spinningfields Manchester M3 3EB  
Fax: +44 (0)844 875 8001 DX 14317 Manchester 1

1 Threadneedle Street London EC2R 8AY  
Fax: +44 (0)844 875 8002 DX 98933 Cheapside 2

City Plaza Pinfold Street Sheffield S1 2GU  
Fax: +44 (0)844 875 8003 DX 10525 Sheffield

The Plaza 100 Old Hall Street Liverpool L3 9TD  
Fax: +44 (0)844 875 8004 DX 14126 Liverpool 1

[www.halliwells.com](http://www.halliwells.com)

Ref: Halliwells 0811/01.08