



## 10% Capital Gains Tax Rate after 6 April 2008

In October 2007, a major reform to capital gains tax was proposed with a single rate of 18% for disposals on or after 6 April 2008. However, following intensive lobbying, a concession has been made in the form of an Entrepreneur's Relief.

The main features of this relief include:

- £1million lifetime allowance – lifetime gains of up to £1m will be taxed at an effective rate of 10%. Gains in excess of this will be taxed at 18%.
- Applies to individuals and trustees
- Applies to gains on disposals of all or part of an unincorporated trading business or partnership
- Applies to gains on disposals of assets following the cessation of a trading business
- Applies to gains on sale of shares in trading companies – subject to being an officer or employee **and** having more than 5% share capital and voting rights
- Applies to ‘associated disposals’ – sale of assets used in the company or partnership that are owned by the director or partner.
- There is a qualifying period of ownership of at least 12 months
- The relief does not apply to disposal of properties used in a property letting business.
- There is no minimum age limit to qualify for the relief
- The definition of trading will have the same meaning as it does now for taper relief purposes

At this stage, there are probably more questions and answers. Draft legislation is due to be published in February 2008 that will include more detail on how this relief should work.

Despite the changes, there will still be winners and losers for sellers of certain types of assets. It is therefore important to know whether planning is required before 6 April 2008 to make sure that you come out a winner.

If you would like to discuss how your capital gains can be mitigated before and after 6 April 2008, please contact Mark Sheen at [mrcs@barlow-andrews.co.uk](mailto:mrcs@barlow-andrews.co.uk) or Tim Lwin at [tl@barlow-andrews.co.uk](mailto:tl@barlow-andrews.co.uk).