

# paylesstax

2008 bonus edition

# STOP PRESS

## Alistair Darling's compromise not enough!

Despite Darling's draft proposals being amended, many business owners and property owners may still need to take action prior to 6th April 2008.

Last week, the Chancellor announced a new tax relief for business and property owners known as "Entrepreneurs' Relief". Whilst the relief ensures that certain individuals will not be worse off by the new flat rate of 18% Capital Gains Tax, many business, land, and property owners could still end up paying more tax.

## The new relief

From 6th April 2008 Entrepreneurs Relief will be available, on gains where all or part of a business has been sold or on business assets within the following 3 years after the business has ceased to trade.

The relief will ensure that the first £1 million of gains will be charged at an effective rate of 10%, with gains in excess of this being charged at the new 18% rate. There will be no restriction on shares where a company owns non-business assets, as there currently is for taper relief.

There will be no minimum age limit for the relief, but certain conditions will need to be met for a period of one year. An individual can make a number of claims for the relief, up to the lifetime total of £1 million gains.

Business assets owned personally are unlikely to qualify for the new relief unless disposed of at the same time as a business interest or within the 3 years following the business stopping to trade.

## Who should act before 6th April 2008!

Although draft legislation is yet to be released the new relief is still likely to leave many with increased tax bills. The following may wish to consider what action can be taken for their circumstances before April 2008;

- Individuals who acquired their business interests prior to 6th April 1998, as they will lose the benefit of inflation under the new rules.
- An individual who is likely to sell a number of businesses in their life time and the total gains of all the sales exceed the £1 million life time limit.
- Where an individual's gain on the current business, or business assets is likely to exceed £1 million.
- Company shareholders who have not been employees or directors.
- Company shareholders who have been employees or directors of the company and own less than 5% as they will not be entitled to the new relief.
- Farmers and landowners where any sale of the land is unlikely to correspond with the cessation of a business or the disposal of part or all of their business interest.
- Commercial property landlords where any sale of the land is unlikely to correspond with the cessation of a business or the disposal of part or all of their business interest.
- Individuals currently holding loan notes following the sale of a private trading company.

## We can help

The changes to Capital Gains Tax are being brought in quite quickly, often with little or no consultation, hence the latest about turn. We keep up to date with these changes, so you don't have to, and ensure that timely action can be taken to maximise your tax savings.

