

BUDGET 2020 – ENTREPRENEUR’S RELIEF REFORM



Sajid Javid will deliver his first Budget as Chancellor of the Exchequer on 11 March 2020.

It is now widely expected that the Chancellor will, in this Budget, deliver on the Conservative’s election manifesto pledge to review Entrepreneur’s Relief.

Entrepreneurs’ Relief (‘ER’) is a special 10% rate of capital gains tax (‘CGT’) that applies when an individual sells their trading business. The normal CGT rate is 20%. The relief is subject to a lifetime cap of £10 million.

Broadly speaking, ER applies to employees or directors who have held at least 5% of the ordinary share capital of the company in which they are an employee or director throughout the two-year period prior to date of the share disposal.

The extent to which ER will be reformed is not known at this stage. However, reductions to the lifetime cap, or a change to the employment status requirement of claimants would seem to align with the Government’s desire to reduce the current £2.4 billion per annum cost of this relief.

With this backdrop in mind, it is not surprising that many business owners may be seeking to finalise share sales prior to the potential change of law on 11 March 2020.

We work with many business owners on determining the applicability of ER and would be happy to discuss the implications of the above with you.

Further guidance is available from your usual Rawlinson & Hunter adviser.

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BUSINESS TAX ALERT

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