

Entrepreneurs' Relief (ER) October 2018 Budget Changes

Entrepreneurs' relief may be available for certain business disposals taking place on or after 6 April 2008 and has the effect of charging the first £10 million of gains qualifying for the relief at an effective rate of 10%.

The October 2018 Budget held significant changes for Entrepreneur's relief. The main changes are as follows:

- The qualifying period for meeting entrepreneurs' relief conditions has increased from 12 months to 24 months.
- The individual must have 5% interest in the distributable profits and the net assets of the company.

The relief will apply to gains arising on a disposal of:

- *The whole of a trading business that is carried on by the individual, either alone or their individual partnership share, in the 24 months prior to sale.*
- *Shares in an unquoted trading company, or holding company of a trading group, provided that the individual owns a 5% shareholding of the ordinary share capital and voting rights and has also been an officer or employee of the company in that time.*
- *Sale of a business, upon cessation the individual must be entitled to receive at least 5% of distributable profits and net assets upon winding up. This entitlement must have been held for 24 months prior to sale and the individual must also have been an officer or employee of the company in that time.*
- *Assets used by a business or a company which has ceased within the last three years. Transitional rules will apply for businesses that ceased trading prior to 29 October 2018 where the 12 month rule will still apply.*
- *Assets used in a partnership or by a company but owned by an individual, if the assets disposed of are 'associated' with the withdrawal of the individual from participation in the partnership or the company.*

The above changes may mean that a change to the share structure of your business is necessary to ensure entrepreneurs' relief is available when required. Please do not hesitate to contact us for more information.

Please do not hesitate to contact us should you have any queries.

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