

Entrepreneurs' Relief on share disposals

Entrepreneurs' Relief can reduce the amount of capital gains tax ('CGT') payable on the disposal of certain business assets, including shares.

In the case of a disposal of a company's shares by an individual, to qualify for the relief:

- the company must either be a trading company or the holding company of a trading group;
- the individual must have held at least 5% of the ordinary share capital of the company and had at least 5% of the voting rights throughout a qualifying period of one year up to the date of disposal; and
- the individual must be an officer or employee either of the company or of one or more members of the trading group.

For disposals made on or after 23 June 2010, qualifying gains have been charged to CGT at the rate of 10% - instead of the normal rate of 18% for basic rate taxpayers and 28% for higher and additional rate taxpayers.

Capital gains qualifying for Entrepreneurs' Relief are subject to a lifetime limit for each individual, which has been £10 million for disposals on or after 6 April 2011. Any gains in excess of this limit are charged at the normal rate of CGT.

Spouses and civil partners may each make a claim up to the maximum limit provided that they satisfy the conditions for relief.

Entrepreneurs' relief **must be claimed** on an individual's tax return (or otherwise in writing) by the first anniversary of the 31 January following the end of the tax year in which the disposal takes place. For example, for a disposal made on 1 February 2015 (in the 2014-15 tax year), the claim must be made on or before 31 January 2017.

Extension of Entrepreneurs' Relief to EMI options

The Finance Act 2013 extended Entrepreneurs' Relief to employees who acquire shares on the exercise of Enterprise Management Incentive ('EMI') options even if they do not hold 5% of the share capital and voting rights of the company.

The other requirements, including the one-year holding period, still apply. However, the holding period starts at the date of grant of the EMI option (not when the shares are acquired after the option has been exercised).

Please note that this fact sheet is intended to give a general overview of the topic. You should obtain appropriate professional advice on your own particular circumstances before taking any action.