

Amendments to Clause 73: Entrepreneurs' relief: associated disposals

Summary

1. Clause 73 contains new rules concerning capital gains tax entrepreneurs' relief on 'associated disposals'. They ensure that relief is due on disposals of privately-held assets where the claimant retires from a family business. They also preserve the effect of measures in Finance Act 2015 which guard against certain abusive arrangements.
2. These amendments remove two technical anomalies which would mean that in some circumstances a person who had been entitled to relief under the Finance Act 2015 rules on a transaction occurring before Budget 2016 would cease to be entitled because of clause 73.
3. These amendments also change the order in which the conditions must be met for relief to be due are presented to the reader.

Details of the amendments

4. Amendments 30 to 33 re-name new condition ZA1 as condition A1A and provide for it to be inserted into section 169K Taxation of Chargeable Gains Act (TCGA) 1992 immediately after existing condition A1. This makes it clearer that the new condition is an alternative to the existing condition and that it may be met where the existing condition A1 is not met.
5. Amendments 34 and 35 concern the dates on which the changes made by the Clause come into effect. They mean that new condition D applies only to disposals of privately-held assets (including interests in assets) acquired on or after 13 June 2016. The other changes made by the Clause have effect in relation to disposals made on or after 18 March 2015, as originally proposed.

Background note

6. Section 41 of the Finance Act 2015 introduced new conditions to prevent ER being claimed on a disposal of a privately-owned asset (an 'associated disposal') in circumstances where the claimant had not in reality reduced his or her involvement in a partnership or company. These changes prevented certain abuses, but they also limited the availability of relief in some genuine commercial circumstances such as successions to a family business.
7. Clause 73 allows ER to be claimed on a gain on the disposal of a privately-owned asset, for instance as part of succession arrangements, subject to certain conditions being met.
8. These amendments ensure that the changes made by Clause 73 do not result in relief ceasing to be due on disposals which have already taken place.