



Budget 2018

Entrepreneurs' Relief: extending the minimum qualifying period from 12 months to 2 years

- To ensure that Entrepreneurs' Relief (ER) is focussed on supporting longer-term investment, individuals will need to meet the qualifying conditions (for example, having at least 5% of the shares in a trading company) for a minimum of two years, up from 12 months currently.
 - This change will come into effect for disposals made on or after 6 April 2019.
1. If individuals meet certain conditions (for example, having at least 5% of the shares and voting rights in a trading company) they can benefit from a reduced rate of capital gains tax (CGT) on any gains that they make on disposal of those assets.
 2. The relief reduces the rate of CGT due from 20% to 10% and is claimed by around 50,000 individuals each year. It is designed to support and encourage investment, and means that entrepreneurs can keep more of the rewards when their business is successful.
 3. The average claimant benefits by £8,000 and the total cost of the relief was £2.7 billion last year.
 4. The government will continue to back entrepreneurs who, with considerable initiative and risk, play a key role in starting and growing a business. However, the government wants to ensure that the relief is focussed on supporting and encouraging longer-term investment in the economy and, in doing so, that it offers value for taxpayers' money.
 5. Therefore, for disposals made on or after 6 April 2019, individuals will need to meet the qualifying conditions for two years to be eligible for the relief, up from the current 12 months. These conditions are set out in full detail on gov.uk.
 6. This change will not affect 95% of ER claimants. In addition:
 - most basic rate taxpayers making gains below the higher rate income tax threshold will be unaffected, as the basic rate for gains on most assets is already 10%
 - taxpayers benefit from an annual exempt amount of £12,000 in 2019-20, on which CGT is not due
 7. This change will come into effect alongside an extension of the relief that the government announced at Autumn Budget 2017. From April 2019, the government will remove disincentives for companies to take on external investment by ensuring that, even if an individual's shareholding is diluted to below 5% as a result, they will be able to claim the relief on gains made up to that point.