

CGT Founders' Relief: technical consultation

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Chapter 1: Introduction

Introduction

1.1 At Budget 2026 the government announced Founders' Relief, a new Capital Gains Tax (CGT) relief for individuals who have invested their time, dedication and expertise to start and scale high growth, innovative UK companies.

1.2 Founders' Relief will allow for a reduced 10% rate of CGT on qualifying disposals, up to a lifetime cap of £10 million. The limit will apply per individual, so more than one individual could claim in respect of the same company. The relief will apply for qualifying disposals made on or after 6 April 2027.

1.3 The UK is one of the world's leading places to start an innovative business, with world class universities, talent, research and capital. This is underpinned by a world leading tax offer. The UK's venture capital schemes help companies access the capital they need to grow, and tax-advantaged employee share schemes such as the Enterprise Management Incentive, and Enterprise Management Incentive 2 (formerly the Company Share Option Plan) help them attract and retain the talent they need. The government has made significant improvements to these schemes in Budget 2025 to expand them to scaleups, and further improvements and expansions at Budget 2026.

1.4 Founders' Relief will build on this offer by recognising founders and significant early investors who have built companies with a proven record of growth and innovation, when they dispose of their shares. It will aim to incentivise more high-growth and innovative companies to start, scale and stay in the UK and, when the time comes, reinvest into the next generation of founders. The prize will be more innovation commercialised here, more productive investment, good jobs across the country, and more successful companies choosing the UK as their long-term home.

1.5 The government has set out its proposed definition of a founder for the purposes of this tax relief. This definition aims to maximise the relief's impact and value for money, while ensuring burdens for claimants are manageable and that the relief can be administered effectively by HMRC.

1.6 This technical consultation sets out the proposed design of Founders' Relief and seeks views on its practical application.

1.7 Where this note refers to a company it should be read as including a group of companies where appropriate.

Chapter 2:

Qualifying Conditions

2.1 Founders' Relief will be available to those who have started or invested early in UK companies that have demonstrated sustained high growth.

2.2 To qualify, individuals will therefore need to meet specific conditions related to the duration and size of their shareholdings.

2.3 There are also conditions around UK residency for individuals and for companies to have activity within the scope of UK Corporation Tax, to better align support with economic activity in the UK.

2.4 Where the conditions are met, the relief will apply to gains on disposals of shares or securities in the company up to the lifetime limit of £10 million. This will be reduced by amounts claimed under the limits for Business Asset Disposal Relief and Investors' Relief from 6 April 2027.

Individual conditions

2.5 The individual will need to:

- have held 25% of the company's ordinary share capital (together with corresponding voting rights and rights to distributable profits and assets on a winding up), at the point when the trading activity for which the company was formed commenced, or the preparation for that trade commenced;
- have held the shares or securities for at least five years before their disposal; and
- have been UK resident under the Statutory Residence Test for at least five continuous tax years before the disposal.

2.6 These conditions are intended to identify and support founders and early investors who are UK resident for tax purposes, and to attract new founders to start and scale their companies in the UK.

Ownership structures and reorganisations

- Founders' Relief will apply to all shares disposed of by a qualifying individual, provided the conditions for the relief are met.
- Relief will not be restricted to shares acquired at the time the company was started or to an individual's original shareholding.
- The 25% condition may be met through the holding company of a trading group.
- Only individuals will be able to claim the relief.

Question 1: Noting the need for a clear definition of individuals who held a significant early stake in the company, will the individual conditions, including the treatment of ownership structures and reorganisations, effectively identify founders?

Company conditions

2.7 The company will need to:

- be in scope of UK Corporation Tax (defined as being UK-resident for Corporation Tax purposes, or carrying on business in the UK through a permanent establishment); and the business must have a substantial UK presence for the 5 accounting periods before disposal;
- be a trading company, or the holding company of a trading group, without substantial non-trading activities or excluded trading activities. For the purposes of Founders' Relief excluded trading activities will be the same as those set out for the existing Enterprise Investment Scheme (such as dealing in land, financial services, or property development);
- continue the new trade it was established for when the founder's shares were issued with no major change in the nature of the trade. Any other trades will be treated in a similar way to excluded trades;
- have generated turnover of at least £10 million in the accounting period prior to disposal; and
- have employed at least 15 qualifying full-time employees in the accounting period prior to disposal. A qualifying full-time employee will be defined as an individual working at least 35 hours per week (as with the Enterprise Investment Scheme), paid at least the UK National Minimum Wage. Directors, contract and agency workers will be excluded from this condition.

Question 2: Will the company conditions effectively focus Founders' Relief on UK trading companies that have reached sufficient scale and continue to carry on the trade they were established for?

Question 3: Are there practical difficulties or unintended consequences in applying them?

Chapter 3:

Growth and innovation conditions

3.1 For an individual founder to qualify for Founders' Relief, in addition to meeting the conditions above, the company will need to be able to demonstrate success in terms of growth and innovation.

3.2 The turnover and headcount tests will measure growth by comparing each accounting period with the one before, and will set a minimum level that must be met in the period before the first of the three years of consecutive growth. For a disposal of shares to qualify, **the company will need to meet at least two of the following three tests:**

- **Turnover test:** Annual average compound growth in turnover of 25% across three consecutive accounting periods within the ten years before disposal, with turnover of at least £10 million in the accounting period before the first of these three periods.
- **Headcount test:** Annual average compound growth of at least 25% in qualifying full-time equivalent employees across three consecutive accounting periods within the ten years before disposal, with at least 15 full-time employees in the accounting period before the first of these three periods.
- **Innovation test:** the company must (1) have incurred qualifying expenditure of **£1.5 million or more** on research and development (R&D) for which it met all of the conditions to make an R&D tax relief claim and (2) have claimed R&D tax reliefs for that expenditure for an accounting period or periods ending within the three years before disposal.

3.3 The tests will focus Founders' Relief on founders of companies whose sustained growth is most likely to bring wider benefits to the UK through jobs and innovation and the minimum levels will ensure growth is measured from a sufficient base.

3.4 The innovation test will use the existing R&D tax relief framework as an indicator for innovation. The government recognises that not all R&D activity leads to a successful innovation, and innovation can happen without R&D expenditure that qualifies for R&D tax relief. However, the government is seeking to use an established indicator of innovation that businesses and advisers are already familiar with.

3.5 Requiring two of the three tests to be met will mean that companies that innovate without claiming R&D tax relief will still be able to qualify if they meet the turnover and headcount tests.

3.6 In this note, references to accounting periods are those for Corporation Tax but the corresponding number of whole years will apply when such a period is less than 12 months.

Question 4: Are there any practical difficulties, administrative burdens or unintended consequences for founders or companies in applying the three tests?

Question 5: Are there alternative criteria which might provide a robust and objective means of identifying innovative companies other than the R&D test set out above?

Chapter 4:

Administration and compliance

Claims

4.1 Claims for Founders' Relief will need to be made in the individual's Self Assessment return for the tax year in which the disposal takes place. Claimants will need to include the information HMRC prescribes, including the periods relied on for each eligibility condition.

4.2 To ensure this information is provided consistently and in a form that enables HMRC to assess compliance risks effectively, consideration is being given to requiring claimants to complete and attach a standard form alongside their Self Assessment return. HMRC will treat the claim as 'unsatisfactory' without all the specified information being provided.

Access to company information needed to assess eligibility

4.3 Much of the information or documentation needed to evidence an individual's eligibility for Founders' Relief will be held by the company in respect of which the claim is being made. This may create practical issues for some individuals in determining their eligibility for the relief and gathering the information required to support a claim. This may be particularly relevant where tests consider activity across three of the previous ten years, as some of the information needed to evidence eligibility may relate to periods beyond existing statutory record keeping requirements.

4.4 The government's preferred approach is therefore to introduce a statutory right enabling individuals to request the relevant information from the company, and any supporting documentation reasonably required to establish entitlement to Founders' Relief. Companies would be required to provide the requested information to the individual within a specified period.

4.5 An alternative approach considered was for the companies or HMRC to provide a certificate confirming that the relevant conditions had been met. However, the government considers this may be more complex to administer, and place additional burdens on companies.

Compliance and subsequent changes to eligibility

4.6 Founders' Relief may give rise to particular compliance and administrative challenges. For example, HMRC may subsequently take compliance action in relation to the company's R&D tax relief claim and determine that a condition which the individual relied upon was not met. If this means the individual did not qualify for Founders' Relief,

they will lose entitlement to Founders' Relief and be required to pay the additional tax due with interest.

4.7 These circumstances may also raise issues around taxpayer confidentiality, including the extent to which HMRC can share information about the company's tax affairs with an individual whose claim is affected.

4.8 The government would welcome views on how these issues could best be addressed in the design and administration of Founders' Relief.

4.9 As part of the design of the new Founders' Relief, targeted anti-avoidance rules will be considered to counter artificial arrangements, such as company restructuring, with a purpose of bringing assets into the scope of the relief.

Question 6: Are there any practical difficulties, for individuals or companies, with the proposed statutory right for individuals claiming the relief to request information and supporting documentation from a company? The government would also welcome views on the period within which companies should be required to provide the information.

Question 7: What avoidance or administrative risks could arise from the proposed design? Where respondents identify risks, we would also welcome views on potential changes or safeguards that could address them.

Monitoring and evaluation

4.10 The government will carefully monitor Founders' Relief and evaluate its effectiveness in supporting individuals to start and scale high-growth, innovative businesses in the UK.

Chapter 5: Next Steps

5.1 This consultation closes on 30 November 2026, but we strongly encourage respondents to make written submissions to **EnterpriseTax@hmtreasury.gov.uk** as soon as possible before this date. The period is shorter than usual as relevant evidence has already been gathered during the Tax Support for Entrepreneurs Call for Evidence. HM Treasury and HMRC will also hold stakeholder meetings during the consultation period.

5.2 The government will consider responses and work closely with stakeholders and the tax community to ensure the proposed design works as intended. It will then introduce legislation through amendments to Finance Bill 2026-27, so that Founders' Relief can take effect for qualifying disposals made on or after 6 April 2027

Annex: Consultations and calls for evidence: Privacy Notice

Introduction

This Privacy Notice should be read alongside HM Treasury's (HMT's) Personal Information Charter. The Charter sets out:

- the standards you can expect from HMT when we use your personal information;
- the contact details for our Data Protection Officer;
- how to exercise your Data Protection Information Rights (including access);
- how to exercise your right to complain to the Information Commissioner's Office.

<https://www.gov.uk/government/organisations/hm-treasury/about/personal-information-charter>

This Privacy Notice supplements the Personal Information Charter and outlines additional information in relation to Consultation and Calls for Evidence responses from all interested parties and stakeholders.

This Privacy Notice should be read in conjunction with the relevant consultation guidance, as the consultation documentation will provide additional information about how consultation responses will be used. Where this Notice and the consultation documentation differ, the latter will take precedence.

Data controller

A data controller makes decisions about processing activities. They exercise overall control of the personal data being processed and are ultimately in charge of and responsible for the processing.

The data controller for this processing activity is HMT, unless otherwise stated. We sometimes issue consultations in partnership with other agencies and government departments, which will be apparent in the branding and wording of any joint consultations.

Data processors

A data processor is an organisation or company that handles personal information on our behalf, following our instructions. Data processors do not use your information for their own purposes; they only process it as directed by us.

The following organisations are directed to process your personal information on our behalf:

Processor Name	Function
Microsoft	Provision of enterprise IT services including email, document storage, collaboration tools, and infrastructure support

Who we process personal data about

The table below outlines the categories of individuals whose personal data we will process in this activity, alongside the types of personal data we will use.

Category of Individual	Types of Personal Data
Members of the public	Name
	Postal address
	Email address
Representatives of businesses or organisations	Telephone number
	Job title and employer (where an individual is making representations on behalf of an organisation)
	Personal opinion

We may also process special category data or data about criminal convictions, if you volunteer such information. Special categories of personal data may include:

- Data about racial or ethnic origin
- Political opinions
- Religious or philosophical beliefs
- Trade union membership

Source of your personal data

Personal data of the individuals listed above will be collected in the following ways:

Directly - from Respondents (you)

Indirectly - from other agency and government department-led consultations, where HMT has policy interest

Purpose and lawful basis

We will process your personal data for the following purposes and using the specified lawful bases:

Purpose	Lawful Basis	Further Information
Obtaining opinions about government policies, proposals, or an issue of public interest.	Article 6(1)(e) of the UK GDPR – Public task Article 9(2)(g) of the UK GDPR – Substantial public interest Schedule 1, Part 2, Paragraph 6(2)(b) of the Data Protection Act – necessary in the exercise of a government department.	To help HMT understand who has responded to this consultation and, in some cases, contact respondents to discuss their response.

Who we share your personal data with

We will share your personal data with the following types of recipients:

- HMT staff and Ministers - who have a business need to access the data as part of the consultation process
- Other government departments who have policy functions relevant to the consultation topic. Sharing in this context will ordinarily be anonymised unless information about the respondent is necessary to inform policy
- HMT will share consultation responses and analysis with HM Revenue and Customs (HMRC), which may include personal data, to obtain their feedback

Please be aware that if we receive correspondence or communication which we consider threatening in nature or suggests a possible risk to you or a third party, we may share this correspondence (along with your

personal data) with relevant law enforcement / safeguarding authorities.

International transfers

Your personal data will not be transferred to an international recipient during this activity.

How long we hold your personal data

We will retain your personal data only for as long as necessary to fulfil the purposes for which it was collected.

For consultations and calls for evidence, personal data will typically be held for the duration of the consultation and review period. Personal data collected as part of this consultation will be retained for no longer than one year from the consultation response deadline.

Automated decision-making and profiling

This activity does not involve automated decision making or profiling. This means that decisions which may affect you are not made solely by automated means without human involvement, and your data is not subject to analysis intended to evaluate or predict aspects such as your behaviour, preferences, or interests.

HM Treasury

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This document can be downloaded from www.gov.uk

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