

## **Capital Gains Tax Changes – How will it affect your Business?**

**The new Chancellor of the Exchequer, George Osborne has produced his first budget with some relief for entrepreneurs who run their own businesses.**

The main rate of Capital Gains Tax has been increased to 28% from 18% and although an increase was expected this was a little lower than some commentators anticipated. Prior to the budget, there was speculation the rate would realign Capital Gains Tax with Income Tax and increase to 40% or even 50%.

The new rate of Capital Gains Tax will only apply to higher rate tax payers and is on any chargeable gains that exceed the basic rate threshold for Income Tax which is £37,400, thus the income and chargeable gains are being combined for the purpose of calculating the total chargeable gain. If however there is a chargeable gain where income falls within the basic rate threshold, this will be taxed at 18%.

The good news for entrepreneurs is that with regards to Capital Gains Tax the increase in the budget for entrepreneurs relief increased from £2 million to £5 million for sales of shares in Private Limited Companies. This means that if a disposal qualifies for entrepreneur's relief, the first £5 million of the gain will be subject to 10% capital gains which would give a saving of £240,000.00 for a £5 million disposal carried out under the new increased limit, as compared with transactions carried out prior to the changes.

Higher rate tax payers will pay a Capital Gains Tax rate of 28% and will be worse off than before the changes. The new rate of tax will also hit individuals selling second homes and investments that do not qualify for entrepreneur's relief. For further information please contact Colin Rodrigues on 01384 216840.