

The Chancellor of the Exchequer, Rishi Sunak, has announced in the Budget that, with effect from today (11 March 2020), the lifetime limit on gains for entrepreneur's relief (ER) purposes has been reduced from £10 million to £1 million.

This change will not only capture disposals going forward, but may also include disposals where contracts have been exchanged before 11 March, but have not yet completed.

In addition, the draft legislation now published includes tough anti-forestalling rules that will require taxpayers who exchanged contracts before today, but who close the deal at a later date, to certify to HM Revenue & Customs (HMRC) that no purpose of entering into the contract was to secure ER (and if contracts were entered into between connected persons, it was done wholly for commercial reasons).

Furthermore, for taxpayers who may have entered into pre-Budget planning arrangements during the 2019/20 tax year to secure ER (for example, by exchanging their shares in the existing company for shares in a new holding company and then the taxpayer making an election to opt out of "rollover" treatment to crystallise a capital gain now), the government has announced that where the reorganisation did not, broadly speaking, lead to a change in control, the reduced ER limit will still apply to any gains that arise as a consequence of a taxpayer making the "opt-out" election.

The government has also confirmed that persons who have received advance clearance from HMRC in respect of a share-for-share exchange pre-Budget, during the 2019/20 tax year, will still be caught by the new ER limit.



However, it was not all doom and gloom for private equity-backed businesses. The chancellor also announced that:

- The Research and Development (R&D) expenditure credit will be increased from 12% to 13% (a tax cut worth £2,400 on a typical R&D claim)
- The Structures and Buildings Allowance will be increased from 2% to 3% (giving an extra £100,000 of relief if you are investing in a building worth £10 million)

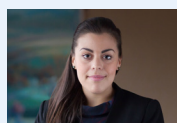
Private equity investors may, therefore, want to review their portfolios to ensure that all available reliefs are being claimed in full where possible.

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