



One of Rachel Reeves revenue raising tactics in the recent Budget is to gradually increase the Capital Gains Tax payable on business sales in the coming years.

Which means that business owners contemplating a sale might be advised to complete a disposal sooner rather than later.

Capital Gains Tax (CGT) increases

When a qualifying business is sold, any capital profit on disposal can be covered by Business Asset Disposal Relief (BADR) and in the past – for lifetime business disposals up to £1m – gains have been subject to a 10% CGT charge.

But that is about to change.

In the Autumn Budget of October 2024, the following changes are set to take effect over the next two years:

- Current Rate: As of now, qualifying gains under BADR are taxed at a flat rate of 10%.
- From 6 April 2025: The BADR tax rate will increase to 14%.
- From 6 April 2026: The BADR tax rate will further increase to 18%, aligning it with the new main lower rate of CGT.

These adjustments are part of broader reforms to the UK's CGT system, aiming to raise revenue while maintaining international competitiveness. The main CGT rates have been increased from 10% to 18% for the lower rate, and from 20% to 24% for the higher rate, effective from 30 October 2024.

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It's important to note that the lifetime limit for BADR remains unchanged at £1 million. This means that eligible individuals can still claim the relief on qualifying gains up to this threshold, but the applicable tax rates on these gains will be higher in the coming years.

Where the qualifying conditions are met and a disposal is on the cards, it makes sense to make the disposal prior to 6 April 2025 – saving up to 14% where the higher rate would otherwise apply.

Are you selling a Furnished Holiday Let (FHL) property?

From April 2025, the present favourable tax treatment of FHL rental businesses will cease.

In relation to BADR, where the FHL conditions are satisfied in relation to a business that ceased prior to the commencement date, relief may continue to apply to a disposal that occurs within the normal 3-year period following cessation.

Landlords with furnished holiday lettings who meet the conditions can therefore benefit if they dispose of their property within three years from the end of their FHL business. Again, making the disposal sooner rather than later will maximise the impact of BADR. The savings where the gain would be taxed at the higher rate fall to 10% from April 2025 and to 6% from April 2026.

We can help

Clearly, disposing of a business or business property is a major event in the create-build-buy-sell cycle and planning for the most effective way to undertake this option is paramount.

Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.