



A key factor when disposing of a business is determining whether Business Asset Disposal Relief (BADR) can be claimed to mitigate the capital gains tax (CGT) liability. From April 2026, the relief will become less favourable, which may prompt some company owners to consider an earlier sale.

BADR is currently at a flat rate of 14%, which is 10% lower than the higher rate of CGT. The rate will go up to 18% from 6 April 2026.

Calculating the gain

In many cases, the gain will just be the difference between the selling price and the nominal value of the shares sold. However, establishing the base cost will be more problematic if shares were inherited or received as a gift. Any further amounts invested in the business as share capital will also increase the base cost.

Capital gains tax

There are various conditions attached to BADR, which are basically:

- The company has to be a trading company;
- A 5% shareholding test must be met; and
- You must be a director (or employee) of the company being sold.

These conditions have to be met for a minimum of two years before the sale, so it may be worth postponing a sale where the two-year ownership condition is not met.

BADR has a lifetime limit of £1 million of qualifying gains. This will not be an issue for many company owners, but it might be a problem if relief has been claimed previously.

Other considerations

While it will suit most company owners to sell their shareholding in return for cash, the buyer might prefer to purchase the assets of the company instead; this complicates the tax situation.

Furthermore, rather than a straight cash sale, the buyer will often want the seller to accept shares or loan notes as part of the consideration. Such an arrangement will keep the outgoing owner involved once the business has been sold. To the same end, the buyer may propose a phased payment plan, with an initial amount upfront, followed by further payments linked to future business performance.

Professional advice is essential when selling a business, so please contact us well in advance of any planned disposal.

HMRC's guide to BADR can be found [here](#).

We can help

If you require further information on any issues raised in this Broadcast, please contact us. Call us on **01753 888 211** or email info@nhllp.com, we are here to help.