



NOVEMBER 2024

# Consider business sale options

Tax payable on business disposals is increasing



**David Beckman & Co Ltd**  
Chartered Accountants & Chartered Tax Advisors

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.

This means as a business owner, you may wish to contemplate a sale 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.

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. Where a FHL operation meets the conditions of being a business, rather than just a property investment, up to 6 April 2025, BADR could be available on the sale. Where the FHL conditions are satisfied in relation to a business that ceased prior to 6 April 2025, BADR may continue to apply to a disposal that occurs within a 3-year period following cessation.

Again, making the disposal sooner rather than later will maximise the impact of BADR.

## Consider your options now

Clearly, disposing of a business or a FHL property is a major event and we can assist with your planning for the most effective, tax efficient way to undertake this option.

Please call us on 01737 844 322 if you are interested in discussing your options.

---