

## Does your Shareholding qualify for Entrepreneurs' Relief? – What's the issue?



On 23 March 2011 the Chancellor announced a significant increase to one of the key Capital Gains Tax ('CGT') reliefs, Entrepreneurs' Relief. From 6 April 2011 the lifetime limit was increased from £5m to £10m.

Entrepreneurs' Relief is complex and there are a number of conditions which must be met but, following this increase, the relief has now become very valuable and can result in a tax saving of up to £1.8m per individual.

### **Background information**

Entrepreneurs' Relief was first introduced in April 2008 and enables qualifying gains to benefit from a reduced rate of CGT of 10 percent. Each taxpayer has a lifetime limit on gains made since 6 April 2008 which can qualify for Entrepreneurs' Relief and, with effect from 6 April 2011, this limit was increased from £5m to £10m.

### **Why should you speak to KPMG**

- Not everyone can qualify for this relief but you could be one of them.
- With appropriate advice businesses and shareholders can be structured in such a way as to make the most of the availability of Entrepreneurs' Relief
- Shareholders who have less than a 5 percent shareholding may be able to improve their position

Overleaf is a quick checklist which we recommend you work through to find out whether you can qualify for this valuable relief.

## Work through the checklist below to find out how KPMG can help -

	Yes	No	Maybe
1. Are you a shareholder?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you have 5 percent of the voting rights?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you have 5 percent of the ordinary share capital?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Are you an officer or employee of the company you have shares in, or a company in the same group?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Are the shares in a trading company or holding company of a trading group?*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Have you held the shares for 12 months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Are you confident that your holding won't be diluted by options?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* HMRC have set out various complex tests to meet in order to be classed as a "trading company". If the company has investments such as properties, shares, cash etc you may not qualify for ER. Contact the Private Client team for help in answering this question.

### Have you have ticked 'yes' for all the boxes 1-7?

Great news! It is likely that you could qualify for Entrepreneurs' Relief. However, we recommend that you still discuss this with your local KPMG Private Client contact to confirm this and see if any further enhancements to your tax position could be possible.

### Have you answered 'no', or 'don't know' to any of the questions?

If so we strongly recommend that you speak to your local KPMG Private Client contact who can clarify your position and highlight strategies which may enable you to qualify for relief.



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RR Donnelley | RRD- 253707 | April 2011