

# Entrepreneurs' Relief: Increase in the Lifetime Limit

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## Who is likely to be affected?

Individuals and trustees who dispose of the whole or part of a trading business, or of shares in a trading company and who meet the current qualifying conditions for Entrepreneurs' Relief.

## General description of the measure

The lifetime limit on gains qualifying for capital gains tax (CGT) Entrepreneurs' Relief is increased from £5 million to £10 million.

There are no other changes to the rules or conditions relating to Entrepreneurs' Relief.

## Policy objective

Increasing the amount of the lifetime limit reduces a barrier to serial entrepreneurs who want to grow their business and reinvest gains, helping to make the UK a more attractive location for entrepreneurs.

## Background to the measure

- Entrepreneurs' Relief was introduced in April 2008.
- The amount of an individual's gains that can qualify for Entrepreneurs' Relief is subject to a lifetime limit. The limit applies to all qualifying gains, whatever the year in which they arose. Any such gains in excess of the limit are subject to the main rates of CGT.
- The lifetime limit was originally £1 million. This was subsequently increased to £2 million for qualifying disposals on or after 6 April 2010, and to £5 million for qualifying disposals on or after 23 June 2010.

## Detailed proposal

### Operative date

The increased lifetime limit will have effect for qualifying disposals on or after 6 April 2011.

### Current law

Subject to satisfying certain conditions, including the lifetime limit of £5 million, gains on qualifying business disposals by individuals and certain trustees are eligible for Entrepreneurs' Relief (Chapter 3 of Part 5 of the Taxation of Chargeable Gains Act 1992 (TCGA)). Qualifying gains are liable to CGT at 10 per cent.

The lifetime limit (section 169N TCGA) is applied to the aggregate of gains that benefit from Entrepreneurs' Relief, whatever the year in which the disposal took place. Any gains in excess of the lifetime limit are liable to CGT at the same rates as other chargeable gains (18 per cent and 28 per cent).

For trustees, the £5 million limit is that of the beneficiary of the settlement who meets the conditions for the trustees to claim the relief.

The lifetime limit will increase that limit to £10 million with effect for qualifying business disposals on or after 6 April 2011.

Where individuals or trustees make qualifying gains above the prevailing limit before 6 April 2011, no additional relief will be allowed for the excess. But if they make further qualifying gains on or after 6 April 2011 they will be able to claim relief on up to a further £5 million of those additional gains (or up to £8 million or £9 million where the earlier £2 million or £1 million limit applied), giving relief on accumulated qualifying gains up to the new limit of £10 million.

## Proposed revisions

Legislation will be included in the Finance Bill 2011 to increase the lifetime limit to £10 million with effect for qualifying business disposals on or after 6 April 2011.

## Summary of impacts

<b>Exchequer impact (£m)</b>	2011-12	2012-13	2013-14	2014-15	2015-16
	0	-50	-70	-90	-100
<b>Economic impact</b>	Increasing the lifetime limit to £10 million will allow entrepreneurs to retain a greater portion of their gains, incentivising them to build their business and/or reinvest gains in new ventures.				
<b>Impact on individuals and households</b>	Currently 25,000 to 30,000 people each year claim Entrepreneurs' Relief. Of these we estimate a small number will benefit.				
<b>Equalities impacts</b>	Our data indicate that 85 per cent of individuals claiming the highest amounts of Entrepreneurs' Relief are male, with the same percentage being higher rate income tax payers. The increase in the lifetime limit is not likely to alter that position.  We have no data to suggest that there are impacts on any other groups. From the data available we therefore do not think a doubling of the lifetime limit will have a disproportionate impact.				
<b>Impact on business including third sector</b>	There will be no impact on business costs as this measure benefits individuals.				
<b>Operational impact (£m) (HMRC or other)</b>	Any operational impact is likely to be negligible. HM Revenue & Customs' guidance will be redrafted to support the change.				
<b>Other impacts</b>	There will be no impact on small firms and competition as this measure benefits individuals only. No other impacts have been identified.				

## **Monitoring and evaluation**

The impact of removing the lifetime limit on gains eligible for Entrepreneurs' Relief will be monitored through information collected from tax returns.

## **Further advice**

If you have any questions about this change, please contact the capital gains team on 020 7147 0127 (email: [capitalgains.taxteam@hmrc.gsi.gov.uk](mailto:capitalgains.taxteam@hmrc.gsi.gov.uk)).