

YOU AND YOUR FAMILY

Capital Gains Tax: Selling or Giving Away Business Assets and Shares

How capital gains tax applies when you sell or give away a business, shares or property, and the reliefs and planning worth knowing.

FOR: OWNERS SELLING, RESTRUCTURING OR PASSING ON ASSETS • SOME EXPERIENCE

What the tax is

Capital gains tax is charged on the profit you make when you dispose of an asset that has gone up in value: selling it, giving it away, exchanging it or, in some cases, losing it. For business owners, the assets are typically shares in your company, a business you run personally, property, goodwill and equipment. The tax applies to the gain, not the sale price, after allowing for the cost, certain costs of buying and selling, and the reliefs available.

The calculation in outline

Proceeds (or market value, if you give the asset away or sell to a connected person) minus **cost** (what you paid, plus allowable costs) gives the **gain**. You deduct any losses, and the annual exempt amount, which is small and is lost if not used. The remaining gain is taxed at the rates in force for that kind of asset, and the rates for residential property differ from those for other assets.

Gifts are disposals

Giving an asset away, even to a family member, is treated as if you sold it at its market value. That can produce a tax bill without any cash coming in. Two main reliefs can help:

- **Transfers between spouses or civil partners** living together are generally made at no gain and no loss.
- **Holdover relief** can allow the gain on a gift of business assets to be postponed, so the tax is passed to the person receiving the asset when they sell it.

Who this is for

- Owners planning to sell a business
- Parents passing shares to children
- Anyone restructuring the business or its property

Key points

- Gifts are treated as sales at market value.
- Reliefs depend on conditions that must be met in time.
- Rates and reliefs change. Check before acting.
- Plan before any agreement is signed.
- Keep records of cost and dates.

Business asset disposal relief

Business asset disposal relief gives a reduced rate of tax on qualifying gains when you sell all or part of a business, or shares in your own company, up to a lifetime limit. The conditions include owning the shares or business for a minimum period, being an officer or employee, and holding a minimum proportion of the company's shares and voting rights. The reduced rate has been rising in recent years, so check the current rate before you rely on it, and ask if you are close to the end of a qualifying period.

Other reliefs and routes

- **Investors' relief** for some outside investors in unlisted companies.
- **Reinvestment reliefs**, which can defer a gain if the proceeds are put into qualifying new investments.
- **Rollover relief** on replacing certain business assets.
- **Share exchanges and reorganisations**, where shares are swapped on a reorganisation or sale, can sometimes be treated as no disposal at the time. They need to be done properly and sometimes need clearance from HMRC.
- **Losses** from earlier disposals can be set against gains, if they are claimed in time.

Before you sell or gift

- What is the gain?
- Which reliefs might apply?
- Are the conditions met, and for long enough?
- Whose rates and allowances apply?
- When do I report and pay?
- Is the paperwork in order?

Reporting and paying

Gains are normally reported on your Self Assessment return, but disposals of UK residential property have to be reported to HMRC, with any tax paid on account, within a short time after completion. If you sell shares in your company, make sure the sale is reported and the relief properly claimed.

Plan before you sign

Planning is most effective before a sale agreement is made. Steps such as restructuring ownership, using a spouse's annual exempt amount and rates, timing the sale across tax years, or using pension contributions to reduce overall tax need to be put in place in advance. Doing them after the event may not be effective, and can be challenged.

Records

Keep records of what you paid for each asset, when, and any improvement costs, and of share issues and changes. They are essential to work out the gain correctly, and they can be hard to reconstruct years later.

Related guides

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- Preparing to sell
- Group structures

How King Street can help

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We calculate the gain on a planned sale or gift, test which reliefs are available, structure the transaction to make the best use of them, and prepare the reports and returns. For large transactions, we work with your solicitor and corporate finance advisers.

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