



OUR SERVICES

# Entrepreneur relief

Entrepreneur relief reduces the tax rate of CGT from 33% to 10% on the first €1m taxable gains on disposal of business (including farming) assets or shares in a company during your lifetime. This is a lifetime limit.

The conditions of the relief are that you have owned the assets and worked in the business or farm for 3 of the 5 years before they are disposed of and that the sale or transfer is being done for bona fide commercial purposes.

Where the assets being sold are shares in a trading company, the conditions of the relief are:

- You must have owned at least 5% of the ordinary share capital for a continuous period of 3 years at any time before the date you sell or transfer the shares.

You must have owned the shares for a continuous period of 3 or more years at any time prior to the transfer.

You must have worked for the greater part of your working time in the service of the company in a managerial or technical capacity for a continuous period of 3 out of the 5 years before the transfer to your children. "The greater part" means "more than 50%". If you were involved in more than one business, you will have to confirm which business took up most of your time in that 3 out of 5-year timeframe.



## Where the assets being sold are shares in a trading company, the conditions of the relief are (Cont):

The company must be carrying on a qualifying trade at the date of transfer.

There can be no dormant companies or non-trading companies, such as property rental companies (even if the property is used by group companies) in the structure at the date of disposal.

A transfer of goodwill must be done for bona fide commercial purposes.

The relief can also apply to the sale of shares in a qualifying holding company; however, the qualifying shareholding goes from 5% direct ownership in the trading company to more than 50% of a trading subsidiary owned by the holding company, so great care needs to be taken at the time of putting a group structure in place to ensure the conditions of the relief are met on a future exit.

## The relief does not apply to disposals of:

shares, securities or other assets held as investments

development land

assets on the disposal of which no chargeable gain would arise

assets personally owned outside a company, even where such assets are used by the company

goodwill which is disposed of to a connected company, or shares or securities in a company where the individual remains connected with the company following the disposal, unless it's reasonable to consider that the disposal was made for bona fide commercial purposes and not part of a tax avoidance arrangement or scheme.

## How to claim the relief

Calculate your CGT with the reduced rate of 10% on gains from qualifying business assets. CGT is payable on or before 15 December on disposals made from 1 January to 30 November. For disposals in December, the tax is due on or before the following 31 January.

Details of the transaction should be disclosed in your personal tax return Form 11 for the tax year in which the disposal occurred, which is due for filing the following 31 October.