

# INVESTORS' RELIEF



Whitepaper

A new capital gains tax relief, aimed at individuals investing in unlisted trading companies, has been introduced in Finance Act 2016. Investors' relief will allow individual owners of "qualifying shares" (see definition below) issued on or after 17 March 2016 to **pay a reduced rate of tax** on any capital gain they make when they sell those shares.

The relief is intended to **encourage individuals to invest in small, growing companies**, much like existing reliefs such as the Enterprise Investment Scheme and the Seed Enterprise Investment Scheme (EIS/SEIS). However, investors' relief could be a simpler option and may be available where other reliefs are not, for example on investments in companies whose trading activities do not qualify for EIS/SEIS (such as farms or hotels).

## WHAT ARE THE TAX ADVANTAGES?

If investors' relief is available on a disposal of shares, the capital gain on the shares (i.e. the difference between the amount they were bought for and the amount they are sold for) is taxed at a reduced rate of **10%** rather than the main **20% tax** rate applicable to higher rate taxpayers.

## WHAT ARE QUALIFYING SHARES?

To qualify for investors' relief, shares must be:

1. Newly issued by an unquoted trading company (or holding company of a trading group);
2. Fully paid up in cash at the time of issue;
3. Issued on arm's length terms for genuine commercial reasons and not as part of arrangements to secure a tax advantage for any person;
4. Held for at least three years; and
5. The investor must not receive any significant value from the company in the three year holding period, e.g. a redemption or repurchase of share capital, or a loan/advance.

The relief can also apply to joint holdings of shares, for example by husband and wife, or holdings by a partnership.

## WHO QUALIFIES FOR THE RELIEF?

Investors' relief is only available to individuals and trustees of a settlement and is not applicable to companies.

Generally, the investor cannot be a director or an employee of the issuing company, or a relative of an employee or director, at any time during the three year holding period.



## LIFETIME LIMIT



There is a lifetime limit of **£10 million**, meaning that any individual can only claim investors' relief on gains of up to **£10 million** over the course of their lifetime.

If you're interested in finding out more about Investors' Relief, or other reliefs such as entrepreneurs' relief or EIS/SEIS, give Rachel Elvin a call on **01483 802895** or email her on [rachel.elvin@chadsan.com](mailto:rachel.elvin@chadsan.com).

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