

INVESTORS' RELIEF



Whitepaper

Investors' relief allows 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.

From a timing perspective, the relief applies to disposals made after "6" April 2019 - in reality: 17 April 2019 - ie: disposals falling in the 2019/20 tax year and onwards.

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 Dale a call on **01483 802895** or email her on rachel.dale@chadsan.com.

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