

How Business Asset Disposal Relief can save you money



Business Asset Disposal Relief (BADR) is a Capital Gains Tax (CGT) relief that reduces the rate of tax paid on the disposal of qualifying business assets.

Previously named Entrepreneurs' Relief, BADR is a 10% rate of CGT on all gains which meet certain conditions.

Who can claim Business Asset Disposal Relief?

To claim the relief, various conditions apply depending on which asset you are planning to dispose of. This could be all or part of your business, shares or securities in an unquoted trading company, or other assets loaned/rented to the business.

To qualify on disposal of a business since 2020/21, you must be a sole trader or in a business partnership, or have owned the shares in a trading company, for at least two years.

If you plan to close your business, assets must be disposed of within three years of the trade ceasing in order for the gains on the disposal to be eligible for the relief.

The calculation

Individuals have an annual exemption for CGT purposes, which is £3,000 from 2024-25. Gains in excess of the exemption are subject to CGT at different rates depending on the asset being disposed of and the availability of the basic rate band.

The tax due is as follows:

- 10% gains qualifying for Business Asset Disposal Relief (up to £1 million)
- 10% gains within the basic rate band (excluding residential property)
- 18% gains within the basic rate band (residential property)
- 20% gains above the basic rate band (excluding residential property)
- 24% gains above the basic rate band (residential property)

Claiming Business Asset Disposal Relief

You can claim BADR in your self-assessment tax return. The deadline for making a claim is one year on from the normal filing deadline.

For example, if you made a BADR qualifying disposal in the 2023/24 tax year, you have until 31 January 2026 to make a claim for the relief.

Maximum claim amount

There is no limit to the number of times you can claim Business Asset Disposal Relief, but you can only claim it on up to £1 million of gains during your lifetime.

Before 11 March 2020, the lifetime limit was £10m. Therefore if you have already claimed entrepreneurs' relief on gains of £1 million or more, any future disposals will not qualify for the relief.

For more information, please contact Joe Wilson, joe.wilson@hwb-accountants.com 023 8046 1237.



Tax Investigations: How to navigate with confidence

Tax investigations

Investigations by tax authorities can be daunting. They often arise unexpectedly

from triggers such as discrepancies in tax returns, random checks or a specific concern that has been reported. The implications of tax investigations can be significant, potentially leading to financial penalties or legal repercussions.

The input of an expert, professional accountant is crucial. HWB Accountants offers a comprehensive Tax Investigation Service designed to help clients navigate the complexities of tax regulations and ensure compliance with legal obligations.

Our team is equipped to handle communications with tax authorities, allowing you to focus on your core activities without the added stress of managing an investigation.

We understand that each client's situation is unique, so we offer personalised, tailored solutions that address specific needs and resolve issues efficiently.

Our assistance can include preparing documentation, negotiating settlements and providing representation during hearings.

While tax investigations can pose challenges, having a dedicated partner by your side can make a substantial difference. We aim to provide clarity, support and expertise, ensuring you are well-prepared to engage with a tax authority.

It's a supportive and professional approach that gives you confidence and keeps you fully informed throughout the process of any enquiry or tax investigation.

For further information, please contact James Alesbury
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023 8046 1222.



Basis period reform: what you need to know

Basis period reform

Sole traders and partnerships need to be aware of an important reform to the 'basis period' for the tax treatment of annual profits.

Up to now, the usual practice for unincorporated businesses has been to operate a 12-month accounting period that ends at some point in the UK tax year, running from 6 April to the following 5 April. In what is a significant shift, the basis period rules have now been reformed, and came into effect from 6 April 2024.

Simplifying process

The aim is to simplify the tax assessment process by aligning it with the tax year, rather than the accounting period chosen by businesses.

The 2023/24 tax year will serve as a transitional period. During this year, businesses that do not already prepare accounts to 31 March or 5 April will face additional complexities. Their taxable profits will be divided into two parts:

- Standard Part: This includes the profits from the 12 months following the end of the last basis period for the 2022/23 tax year.
- Transition Part: This covers the period from the end of the standard part to 5 April 2024. Businesses can deduct any overlap profits from this transition part and may spread any remaining profits over five years to mitigate the impact of increased tax liabilities.

Aligned accounting periods

Businesses that do not currently align their accounting periods with the tax year may have to submit provisional tax returns that require amendments later. This could complicate cash flow management,

especially for those facing increased tax liabilities during the transitional year.

If you do change your accounting dates to align with the tax year this should reduce ongoing administrative burdens and simplify tax compliance from April 2024 onwards. However, you must weigh the pros and cons of such a decision, particularly if you have complex financial arrangements or international considerations.

The basis period reform will also interact with existing rules for certain sectors, such as farmers and creative artists, who benefit from averaging rules. The transitional profits will not be included in the calculation of relevant profits for these averaging purposes. Affected individuals may therefore require additional guidance.

International standards

The government is also considering the potential alignment of the UK tax year with international standards. This could further impact businesses in the future, making it essential to stay informed about ongoing discussions and changes in tax policy.

The basis period reform marks a pivotal change in the UK tax landscape for unincorporated businesses. While it aims to simplify tax assessments, the transitional year requires careful planning and consideration. Businesses should proactively evaluate their accounting practices and prepare for the implications of the change to ensure a smooth transition.

For more information, please contact Alan Rolfe,
alan.rolfe@hwb-accountants.com **023 8046 1235.**



Giving away wealth and Inheritance Tax implications



Many wealthy individuals are said to be passing on substantial amounts of their wealth in anticipation of possible changes to inheritance tax (IHT) in Labour's first Budget on 30 October.

One such, TV presenter Anne Robinson, recently confirmed that she had spread her fortune – said to be around £50 million – to her children and grandchildren to help them to avoid paying inheritance tax after her death.

But should you consider doing the same?

Firstly, you need to know the value of your estate and potential IHT exposure under the current rules.

In the UK, inheritance tax is charged at 40 per cent on estates worth over £325,000 with a higher threshold for homes that are passed on to direct descendants such as children or grandchildren.

Thus, each individual receives a nil rate band of £325,000 – and, potentially, up to a further £175,000 against the value of the family home, provided it, or assets to its value, is left to direct descendants on death. This additional £175,000 allowance is referred to as the residence nil rate band (RNRB).

There is currently an unlimited exemption where assets are transferred during lifetime or on death to the surviving spouse or civil partner. If the deceased spouse's nil rate bands are unused then they are available to the survivor, potentially increasing the tax-free amount on the death of the second spouse to £1 million.

Unfortunately, it's not quite that simple as where the estate exceeds £2 million the RNRB is reduced by £1 for every £2 that the estate exceeds £2 million.

Consequently, for wealthy couples the RNRB reduces to nil where the value of the estate exceeds £2.7 million leaving just the combined nil rate bands of £650,000. Note that the current rate of IHT on the death estate is 40% once the nil rate band has been used.

There is currently 100% relief from IHT where business and farming assets are transferred during lifetime and on death and it is hoped that these reliefs will continue so that survivors do not need to sell off assets to pay the tax. However, those generous reliefs may not continue under the new government.

Transfers during lifetime

Please be aware that the UK has a "seven year rule" which means that if a beneficiary receives an inheritance gift less than seven years before the bestower's death they still have to pay inheritance tax.

Under the current rules there is no IHT payable where the donor survives for at least seven years following the date that assets are transferred. Such transfers are referred to as potentially exempt transfers (PETs).

Once you've given away more than £325,000, anyone else who gets a gift from you in those seven years will have to pay IHT on their gift.

Gifts that are given three years before the giver's death are taxed at 40 per cent, while anything gifted three to seven years is charged on a sliding scale known as taper relief.

Taper relief

Years between gift and death	Rate of tax on the gift
3 to 4 years	32%
4 to 5 years	24%
5 to 6 years	16%
6 to 7 years	8%
7 or more	0%

The transfer needs to be an outright gift with no continued use or enjoyment of the asset by the donor.

Hence giving away the family home but continuing to live in it, giving away a caravan but still using it for free for your holidays or giving away a valuable painting but still displaying it in your house will generally be ineffective unless other conditions, such as paying market rent, are satisfied.

There may also be capital gains tax consequences of a lifetime gift, although it may be possible to hold over the gain so that no CGT is payable on the increase in value from when the asset was acquired. Holdover relief is currently available in the case of business assets and on transfers of assets into trust.

Please talk to Gemma Hedges, Director at HWB on 023 8046 1259 or gemma.hedges@hwb-accountants.com for more IHT advice.

Download our
2024/25 tax
card here:

<https://www.hwb-accountants.com/news-guides/tax-cards/tax-card-2024-2025/>

Tax Card
2024/2025

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Experience the difference



FLYING HIGH: Matt Cooper during his 15,000-foot skydive for Mountbatten Hampshire

HWB charity champions boost Mountbatten Hampshire

We have collected an impressive £8,592 for our chosen charity, Mountbatten Hampshire, through a calendar of fundraising activities.

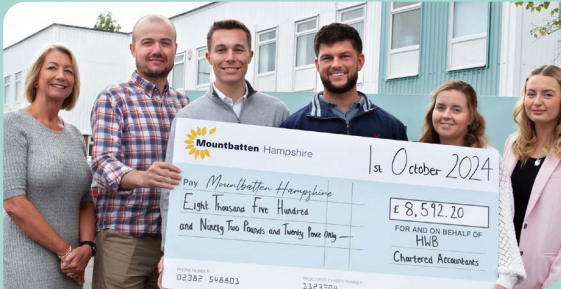
Caitlyn Sherry, Mountbatten Hampshire's Corporate Partnership Manager, was on hand to receive a giant cheque at our offices in Chandlers Ford.

Over the years, the firm has gone above and beyond with skydives, marathons, and even bake-offs and tea parties in the office, raising an incredible £8,592.

Associate Director Matt Cooper overcame his fear of heights by undertaking a skydive to raise £2,415 for the charity.

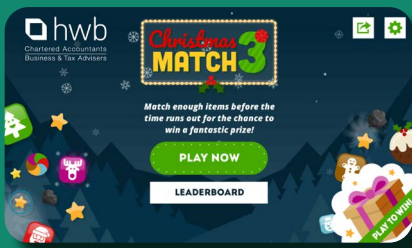
He took the plunge from 15,000 feet over Old Sarum in Wiltshire with 60 seconds of freefall before tandem parachuting safely to the ground.

The cause was particularly significant for audit and accounts specialist Matt, as both his parents have been undergoing treatment for cancer for several years.



CHEQUE POINT: Presenting the proceeds of the fundraising activities to Caitlyn Sherry, Mountbatten Hampshire, right, are, from left: HWB Managing Director Tracy Jenkins; skydiver Matt Cooper; Chris Ellison who ran the Southampton marathon; Ben Forster, part of the Tough Mudder team, and Zoe Handley-Greaves who did a skydive last year.

Festive fun time



We will be launching our fun, online Christmas game at the end of November.

"Christmas Match 3" is a chance for people to have a bit of festive fun, be in with the chance of winning a prize, and most importantly, raise money for our new charity (which will be announced soon).

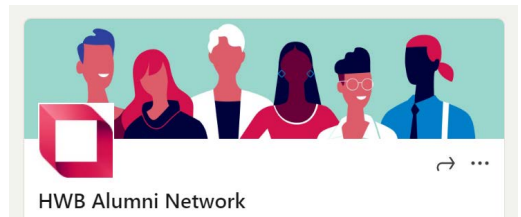
As it's an online game with a leaderboard, people will be able to compete against other competitors and all they have to do is simply match as many items against the clock before the time runs out.

Each week in December we will choose a winner from all those who have taken part (rather than who is top of the leaderboard) and for each competitor we'll make a donation to our charity of the year.

Stay tuned to our social media channels to discover when the game is being launched.

HWB Alumni Group launched

We've launched an HWB Alumni Group and we're inviting ex-employees to join the new network via a LinkedIn group.



It's our way of keeping in touch and keeping them in the loop about what's going on at HWB. The intention is to host events so former colleagues can get together and catch up.

We believe it's a must for an organisation like us, who next year will be celebrating 40 years and people are what our business is based on.

See our LinkedIn page:

<https://www.linkedin.com/groups/13066075/>

HWB seminars

We are busy adding to our regular events for 2025. You can register online here: www.hwb-accountants.com/events.

If you've missed any of our previous events, you can catch up via our YouTube channel. It is also home to useful video guides: <https://www.youtube.com/@HWBAccountants>

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