



Case study

Rural and agriculture sector

Dealing with transactions in the correct order meant entrepreneurs' relief could be achieved.

ENTREPRENEURS' RELIEF - IT IS ALL IN THE TIMING

A husband and wife farming in partnership had been considering retiring for a number of years. The increase in farm land values in the years up to 2012 made retiring a reality. With proceeds of sale being close to £4m, the tax position was fundamental to the decision making process.

EXPLORING THE OPTIONS

Through previous discussions we knew that family succession was not a viable solution for the farm and that, given the right land price, sale and retirement was the desired outcome. As we progressed through 2011 and into 2012 we were reaching the point where the land price would hit the spot where the partners could realise their dreams of retiring comfortably and looking forward to a well earned rest.

EARLY REVIEW MEANT WE WERE PREPARED

Knowing what our client wanted to achieve meant that we could focus in on the relevant parts of the Capital Gains Tax legislation and, more specifically, Entrepreneurs' Relief and achieving a 10% tax rate on the sale of the qualifying assets.

We were therefore able to point out potential tripwires, instructing the client and the land agent that the disposal of the assets had to take place after the business had ceased. If the transactions were not dealt with in the correct order, sale of the assets prior to the cessation of trade could have jeopardised Entrepreneurs' Relief and the favourable 10% tax rate could have shot up to 28%.

With the high price of land there is potentially a lot of tax at stake for farmers looking to sell up.

TOP TIP

It is key to remember that, for the purposes of Capital Gains Tax, the date of disposal is the date of exchange of unconditional contracts and not the completion date.

THINKING OF RETIRING AND WONDERING WHAT YOUR TAX BILL MAY BE?

There can be a lot of things to consider and understanding the rules to achieve the correct result requires specialist advice.

THE NEXT STEP

For further information or to arrange a meeting to discuss your specific requirements, please contact one of our specialists:

<http://rural-and-agriculture.uhy-uk.com>.

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