

From April 2025:

How the **14% CGT** Rate Shapes Business and Investment Sales

Starting from **6 April 2025**, the Capital Gains Tax (CGT) rate for gains qualifying under **Business Asset Disposal Relief (BADR)** and **Investors' Relief** increases from **10% to 14%**, with a planned further rise to **18%** in April 2026. This change significantly impacts business owners, investors, and entrepreneurs planning disposals of qualifying assets. Understanding the implications and strategic responses to this revised **14% CGT rate** is essential for optimizing tax liabilities and investment outcomes.



Key Elements of the 2025 CGT Rate Change

Aspect	Previous Rate	Rate from 6 April 2025	Eligibility
Business Asset Disposal Relief (BADR)	10%	10%	Applies to qualifying business disposals
Investors' Relief	10%	10%	Lifetime limit reduced to £1 million
Regular CGT Rates for Individuals	18% (basic), 24% (higher)	Unchanged	Applies to most other capital gains

Lifetime Limit Reduction:

From 30 October 2024, the lifetime limit for Investors' Relief aligns with BADR at **£1 million**, down from **£10 million**, further tightening relief availability.



Impact on Business and Investment Sales

1. Higher Tax Burden on Qualifying Disposals

The increase from **10% to 14% CGT** for BADR and Investors' Relief means business owners selling qualifying assets—such as shares in their own companies or disposals of business assets—will face higher tax charges on gains. Though still beneficial relative to the general **18% or 24% CGT** rates, the rise demands updated planning to minimize the impact.

2. Importance of Timing and Planning

- **Pre-6 April 2025 Sales:** Disposals completed before this date retain the **10% rate**, encouraging some taxpayers to consider advancing sales or transactions before the deadline.
- **Anti-Forestalling Measures:** New rules prevent artificial acceleration of transactions merely to benefit from lower rates if contracts were entered into before certain dates but completed later.

3. Strategic Use of Reliefs and Allowances

- With the **annual CGT exemption** reduced to **£3,000** for individuals, properly structuring disposals to maximize reliefs such as BADR becomes more critical.
- Business owners must also be aware of the **£1 million lifetime limit** for relief to optimize their gain recognition.



Practical Considerations for Taxpayers

Evaluate the Timing of Sales

Considering the impending **14%** increase, business owners and investors should:

- Review planned disposals to determine if earlier realization of gains before April 2025 is feasible without breaching anti-forestalling rules.
- Incorporate the higher CGT rate into financial projections for disposals scheduled after April 2025.

Understand Relief Eligibility

BADR applies only if specific qualifying criteria are met, including:

- The business must be a trading company.
- The owner must have held at least **5%** of shares and voting rights for two years before disposal.
- Investors' Relief is subject to qualifying conditions and lifetime limits.

Maximize Tax-Efficient Investment Strategies

- Consider maximizing CGT-exempt vehicles (such as ISAs and pensions) for other investments.
- Utilize tax planning advice to coordinate your CGT strategy with income tax planning, as total taxable income impacts CGT rates.





2025 increase to a 14% CGT rate

The April 2025 increase to a **14% CGT** rate for Business Asset Disposal Relief and Investors' Relief marks a significant tightening of tax relief on business and investment sales. While it is still favorable compared to general CGT rates, the rise requires careful timing, eligibility assessment, and strategic planning to preserve value and reduce tax exposure.

Taxpayers engaged in business disposals or investments qualifying for these reliefs should seek professional advice urgently to align their transactions with the new rules, optimize utilization of allowances, and comply with anti-forestalling provisions.