

## Relief as government climbs down on capital gains tax

Most of us contractors don't worry too much about selling our businesses--we are too busy making a good living out of them. But some of us do build up our limited companies to a point in which they have enough assets to make other businesses want to buy them. It may be intellectual property, or just a really big client base, but whatever provides the value, you might eventually want to sell it off.

So it is very good to hear that the Government on January 24 has backed down from its proposals to raise the capital gains tax to a flat rate of 18% for all businesses.

### Wave of Protest

The change comes after a wave of protest came in reaction to the proposals from organisations like the London-based Confederation of British Industry and the London-based Federation of Small Business.

The FSB had asked for a 50% cut in the rate of tax on profits of up to 750,00 pound made on the sale of businesses by people with a significant stake. The current proposal by the Chancellor is slightly different but is nonetheless being welcomed by all of the organisations which had been harshly critical of the Government's proposals.

### Darling Makes An Effort

Chancellor Alistair Darling explained the new proposal in the House of Commons today: "Under this scheme the entrepreneur will take 90% of the first £1 million as well as benefiting from the new £9,200 a year capital gains relief." Darling told the House that his new 'entrepreneurs relief' will cost the Government around £200 million a year, so we cannot say that the Government is not making a real effort to help contractors in this regard.

### Discouraging New Business

The initial proposals, according to the Confederation of British Industry, risked considerably impeding the encouragement for entrepreneurs to start new businesses. There is little interest in enduring all of the suffering that creating a new business involves only to find that one can earn no profit from the sale of it when one has achieved success.

Says FSB National Chairman John Wright: "The Chancellor said specifically today that he wanted to help small businesses facing big tax rises from April and that is very good news indeed."

You should be aware that these proposals only apply to those who hold more than 5% of a business. Most of us contractors do, and most of us also aren't likely to sell our businesses for more than a million pounds. So contractors are seeing a genuine potential benefit.

Wright continues: "These proposals will go some way to protecting entrepreneurship in the UK as well as to benefit small business owners planning to pay for their retirement with the sale of their businesses."

"We welcome these plans, but the way in which the whole issue has been handled has seriously eroded small businesses' trust in the Government. There has been huge uncertainty about what small businesses' tax liabilities would be from April 2008 and this has made planning for the future very difficult. Even now small business owners have very little time to prepare before these new changes come in," Wright concludes.

Published: Thursday, January 24, 2008

[Tweet](#)

“ The Chancellor said specifically that this proposal was intended to help small businesses facing big tax rises from April and that is very good news indeed ”

John Wright-FSB

“ These proposals will go some way to protecting entrepreneurship in the UK as well as to benefit small business owners planning to pay for their retirement with the sale of their businesses ”

John Wright-FSB

© 2011 All rights reserved. Reproduction in whole or in part without permission is prohibited. Please see our [copyright notice](#). If you want to use any content you have seen on this site then please [request our media pack](#) and ask for details of our Content Licencing Service.

Join the debate...

Is your contracting business building into something you could sell?

Are you building a sustainable business in your contracting, perhaps something that you eventually could sell?



[View debate.](#)



[Comment on this debate](#)

#### Also of interest...

##### Related News:

- [Illegal immigrants can't be employed - but they can be contractors](#)

##### Related Guides:

- [Steps to become a contractor](#)
- [How to Find a Contract](#)
- [Tips For Long Term Successful Contracting](#)

##### Related Calculators:

- [PAYE/NI Net Salary Tax Calculator](#)
- [Contractor Calculator](#)
- [Target Income Calculator](#)



ABCe verified website - last audit confirmed **130,682 monthly unique visitors**

© Copyright 2011 Byte-Vision Limited UK. All rights reserved [Copyright notice](#)