

Selling business property previously rented

by Kevin Turner, Managing Partner, TurnerWarran Accountants

Many business owners have bought commercial property that has been occupied by their trading concerns, and rent may have been charged for the use of the property; either the property owner has been paid rent by his business, or by other third parties.



All taxable capital gains are now subject to a flat 18% tax charge. However, if disposal qualifies as the sale of a business asset, you may be able to claim entrepreneurs' relief. If you can claim, the first £1 million of qualifying lifetime disposals are subject to tax at the reduced rate of 10%. Generally speaking, the disposal of a business property should qualify for entrepreneurs' relief as long as it is sold within three years of the sale or cessation of the business.

The issues that affect the availability of entrepreneurs' relief when commercial property has been rented to a business are more complex. If you are a sole trader, there would be no purpose in charging your business rent for the use of your property – both are in your name. There could be circumstances where

part of the property has been let to a third party, but a claim to entrepreneurs' relief should be effective.

If a partner or shareholder has purchased a property and made this available to the business for a rental payment, a claim for entrepreneurs' relief on sale may be precluded.

Relevant legislation has not yet completed its passage through Parliament. The Treasury are aware that a sale of a business property prior to 6th April, that would have qualified for taper relief, may not now qualify for entrepreneurs' relief. There is a possibility there may be some relaxation of the rules in any amended legislation.

For help and assistance with this or any accountancy and tax needs, call 01652 650112.

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