

# Business Asset Disposal Relief

## The "Don't Lose It" Checklist

Business Asset Disposal Relief (BADR), formerly known as Entrepreneurs' Relief, is a valuable tax discount that can reduce your Capital Gains Tax rate from 20% to just 10% when you sell your business. However, the rules are strict and time-sensitive. Many business owners accidentally disqualify themselves by not meeting all the conditions at the exact time of sale. This checklist will help you verify your eligibility before you sell or close your business.

**Key Facts:** Lifetime limit of £1 million in qualifying gains • Must own business for at least 2 years before sale • Must be a sole trader, partner, or director/employee of a limited company • Must own at least 5% of shares and voting rights (for companies)

## Common Traps That Cause People to Lose BADR

- **Waiting too long to sell assets** — BADR applies when you sell or close the business, not later.
- **Shareholding falls below 5%** — Diluting shares through investors or gifting to family can disqualify you.
- **Stopping work too early** — You must be a director or employee right up to the sale date.
- **Charging market rent on your own property** — HMRC may treat the building as an investment, not a business asset.
- **Business restructuring resets the clock** — Changing from sole trader to limited company restarts the 2-year period.
- **Too much cash or investments in the business** — HMRC may decide the company is no longer mainly a trading business.
- **Assuming the accountant will sort it later** — If you've already sold or left your role, it's too late.
- **Not understanding the rules are strict** — BADR is rule-based, not common-sense-based. Every condition must be met.

## BADR Eligibility Checklist

Tick each box to confirm you meet the requirement. Any unchecked boxes may affect your eligibility.

### ✓ Ownership

- ☐ I own at least 5% of the business or company shares
- ☐ I have owned them for at least 2 years continuously

### ✓ Role

- ☐ I am still a director or employee right up to the sale date
- ☐ I have not resigned or retired before the sale completes

### ✓ Timing

- ☐ I am selling the business and its main assets at the same time, or close together

- ☐ I have not left assets (property, equipment) to sell much later

#### ✓ Nature of the Business

- ☐ The business is mainly trading, not holding cash or investments
- ☐ Excess cash or non-business activity is kept to a minimum

#### ✓ Property (if you own the premises personally)

- ☐ The business uses the property as part of its trade
- ☐ I am charging below market rent (or no rent) to the business

#### ✓ Changes

- ☐ I have avoided recent changes that might reset the clock (new shares, restructuring, dilution)
- ☐ If changes were made, the 2-year qualifying period has still been met

#### ✓ Professional Advice (Critical)

- ☐ I have checked all of the above BEFORE signing anything or stepping down
- ☐ A tax adviser has confirmed my BADR eligibility IN ADVANCE, not after the event

#### Need help preparing for a business sale?

Planning ahead is essential to ensure you qualify for Business Asset Disposal Relief. If an exit is on your horizon in the next few years, get in touch now to ensure you're structured correctly.

**Contact Ihelm Enterprises:** [info@ihelm-enterprises.co.uk](mailto:info@ihelm-enterprises.co.uk)

**Website:** [www.ihelm-enterprises.co.uk](http://www.ihelm-enterprises.co.uk)

*Disclaimer: This checklist is for general guidance only and does not constitute tax or legal advice. Tax rules can change and individual circumstances vary. Always consult a qualified tax adviser before making decisions about selling your business.*