

Your guide to Business Asset Disposal Relief (BADR)

If you're thinking about selling
your business, don't delay!



Attwaters
Solicitors



If you're thinking about selling your business, don't delay! Upcoming changes to Business Asset Disposal Relief (BADR) could mean you're liable to pay thousands more in tax if you don't act swiftly. We understand that the rules surrounding BADR can seem complicated. That's why the Corporate, Company and Commercial team is here to help. In this guide, our experts explain everything you need to know.

Business Asset Disposal Relief (BADR)



What is BADR?

Business Asset Disposal Relief can reduce your Capital Gains Tax (CGT) liability when selling certain business assets. For example, BADR is often claimed by business owners on the sale of shares in their company.

The history of BADR

In 2008, the taper relief rules on business disposals were abolished in favour of a new flat rate of CGT at 18%. This meant that those who had built a business over many years would be faced with far higher rates of CGT when selling. So, to avoid discouraging entrepreneurship, Entrepreneur's Relief was introduced which applied a lower rate of 10% on gains made. The lifetime allowance was initially set at £1 million but rose to £2m and then £5m in 2010, before doubling again to £10m in 2011.

In April 2020, Entrepreneur's Relief became Business Asset Disposal Relief, and the lifetime limit decreased to £1m for disposals made after 6 April 2020.

What is changing?

With the current BADR rates, you are currently liable to pay tax at 14% on all gains on qualifying assets sold since 6 April 2025. But in April 2026, this rate will increase to **18%**.

This relief is valid up to a maximum of £1 million of capital gains across an individual's lifetime, which means (based on the current CGT rate of 24% for a higher rate tax payer) BADR can potentially provide a tax saving of up to £100,000. However, from 6 April 2026 this figure will go down to £60,000.

So, if you delay selling your business until next year, you may need to pay an additional £40,000 in tax.

Which transactions are eligible for BADR?

If you're selling all or some of your business:

- You must be a sole trader, business partner or business owner of the business in question throughout the period of at least two years prior to the date of disposal.
- That business must have been a trade, profession or vocation conducted on a commercial basis with a view to realising profits.
- BADR will apply to a disposal by an individual of certain qualifying assets used for the purposes of a business, on the cessation of that business, subject to qualifying criteria.

If you're selling shares:

- You must have been an employee or office holder of the company for at least two years.
- The shares must be in trading companies (or the holding company of a trading group), not those engaging in investment-related activities.
- You must have at least 5% of the company's ordinary share capital, allowing you to exercise at least 5% of the voting rights. Plus, you must be entitled to at least 5% of available profits and disposal proceeds if the company is sold.

If you have made an associated disposal:

- If you have made a material disposal of business assets (eg. sold or transferred the business), you may be able to claim BADR on disposals of your own personal assets, subject to qualifying criteria.

Talk it through today

With the BADR changes fast approaching, there's no time to wait. Our Corporate, Company and Commercial team is here to support you as you take the next step. To arrange an initial discussion, please do not hesitate to get in touch with Mark Stigwood on 0203 871 0022 or mark.stigwood@attwaters.co.uk.

Where we are

■ Hertford ■ Ware ■ Loughton ■ Harlow (by appointment only) ■ London (by appointment only)

0330 221 8855 | enquiries@attwaters.co.uk

www.attwaters.co.uk

Attwaters Solicitors LLP (trading as "Attwaters" and "Attwaters Solicitors") is a limited liability partnership, registered in England and Wales, with registered number OC451709 whose registered office is at 72 – 74 Fore Street, Hertford, SG14 1BY. Authorised and regulated by the Solicitors Regulation Authority. SRA ID 8007943. A list of members' names is available for inspection at the above office.