Navigating the Tax Considerations of Selling Your Pharmacy Business.

<u>Appendix 1</u>: CGT Retirement Relief

Retirement relief provides for a complete exemption or a reduction in CGT payable (due to marginal relief) on the disposal of certain qualifying assets by individuals aged 55 years or older on the date of disposal.

For individuals aged 55 years and 65 years, full CGT retirement relief on the disposal of 'qualifying assets' is available if the amount or value of the consideration for the disposal relating to the qualifying assets does not exceed €750,000. For individuals aged 66 years and over, the ceiling for the relief is €500,000.

Individuals aged 55 years or over will receive a full exemption from CGT on disposals of 'qualifying assets' to his or her child. However, when the individual reaches 66 years of age, the exemption will be restricted to qualifying assets with a market value of up to €3 million.

The above limits have changed with effect from 1 January 2025.

- The €750,000 limit is extended to age 69.
  and
- Relief on the disposal to a child is restricted to €10 million for persons aged 55-69 and €3 million when the person is aged 70 or over.

Marginal relief may be available where the aggregate sales proceeds exceed the current threshold. The effect of this marginal relief is to restrict the maximum CGT payable to a sum equal to half of the difference between the limit and the consideration.

Conditions for the Relief

1. **Age**

The claimant must be an individual (and not a company). He/she must be at least 55 years of age at the date of disposal.

2. Qualifying Assets

The relief is available in respect of "qualifying assets". This would include:

- The chargeable business assets which an individual has owned for at least 10 years ending with the disposal. The assets must have been the individual's chargeable business assets throughout the 10-year period ending with the disposal.
- Where the assets being disposed of are shares in a "family company" which is either a trading company, a farming company or a holding company of a trading group, the shares of which have been owned by the individual for at least 10 years ending with the disposal

and in which the individual has been a working director for at least ten years and a full-time working director for at least five of those years.

- Land, machinery or plant owned by the individual for at least 10 years and used by his 'family company' throughout that period provided these assets are disposed of by the same individual at the same time and to the same person as the shares in the family company.

3. Ownership Period

The claimant must have owned the qualifying assets and used those assets for the purpose his/her business for at least ten years prior to the date of disposal.

4. Exclusion

The following assets are excluded from "chargeable business assets":

a. Assets held for investment purposes (e.g. rental property, investment portfolios etc);
b. Goodwill transferred to a company where, after the disposal, the individual is connected with the company;
c. shares in a company ("Company 1") disposed of to another company ("Company 2") where, after the disposal, the individual is connected with Company 1.

Goodwill and shares referred to in (b) and (c) above shall be treated as chargeable business assets where it would be reasonable to consider that a disposal of such assets is made for *bona fide* commercial reasons and does not form part of any arrangement or scheme the main purpose or one of the main purposes of which is the avoidance of liability to tax.

Where shares in a 'family company' consist of both 'chargeable business assets' and non-business assets (i.e. non-qualifying), the value of the shares in that company must be apportioned between qualifying and non-qualifying assets for the purposes of the relief and ultimate CGT payable.

With respect to transfers to child, where an individual aged 66 (or 70 from 1 January 2025) or over makes a disposal of shares of a family company to a child and makes a disposal of shares of the family company to a company controlled by that child, the consideration in respect of both transfers is aggregated for the purposes of assessing the retirement relief limit of €500,000.

5. Clawback

It is important to note that the €750,000 / €500,000 limits are lifetime limits. Provisions are made for a clawback of relief where an individual who has claimed this relief (on disposal to persons other than his child) makes a further disposal of qualifying assets at a later stage which brings his overall aggregate total to a figure in excess of the overall limit.

In the case of a transfer to a child, if the assets which are the subject of the relief are disposed of by the child within 6 years, the original relief granted to the parent on that relieved transfer may, in effect, be withdrawn. The relief is withdrawn, not from the parent who had the benefit of the relief, but by way of an assessment on the child who received the assets.

6. Deferral of CGT liability

You may claim relief on the transfer of a business to your child. Where a CGT liability remains due on such a transfer, you may defer the CGT liability arising if:

- you are aged 55 years or older
- you transfer qualifying assets to a child
- the transfer(s) takes place on or after, 1 January 2025; and
- The value of such assets exceeds the €10 million limit on CGT relief available with respect to such transfers.

If your child disposes of the assets within 12 years of the transfer, the CGT liability deferred will crystallise. Your child must pay the deferred CGT liability in addition to the CGT liability arising on their own disposal.

Terms Defined

Chargeable business assets means an asset (including goodwill but not including shares or securities or other assets held as investments) which is an asset used for the purposes of farming, or a trade, profession, office or employment, carried on by the individual. Items such as debtors, stock, bank balance etc are not included in the term chargeable business asset, as no chargeable gain would result from their disposal.

A ***family company*** is a company where the individual holds either:
(a) at least 25% of the voting rights in the company; or
(b) at least 10% of the voting rights and not less than 75% of the voting rights are controlled by members of his/her family (including the claimant himself/herself).

Family includes spouses and civil partners, direct relatives (siblings, ancestors or lineal descendants) and direct relatives of spouses and civil partners.

A ***trading group*** means a group of companies, consisting of the holding company and its 75% subsidiaries, the business of whose members taken together consists wholly or mainly of the carrying on of one or more trades or professions. In effect, the basis is the same as that for a single company, but is taken by reference to the assets of the entire group, rather than the assets of a single company, and shares held in other group members are ignored in arriving at the part of the proceeds taken into account for retirement relief.