

Navigating the Tax Considerations of Selling Your Pharmacy Business.

Appendix 2: CGT Entrepreneur Relief

The section provides that a reduced rate of CGT of 10% may be applied to gains arising on the disposal of the whole or part of the 'chargeable business assets' by a 'relevant individual'.

The reduced rate of 10% CGT only applies on a lifetime limit of €1,000,000 of such chargeable gains. The higher rate of 33% CGT will apply on any gains arising in excess of the €1,000,000 lifetime limit.

Conditions for the Relief

- The disposal must be of 'Chargeable Business Assets,' which includes:
 - An asset, including goodwill, used for the purposes of a qualifying business carried on by the individual.
 - Ordinary shares in a company carrying on a qualifying business or ordinary shares in a holding company of a trading group, provided that the individual selling the shares owns 5% or more of the ordinary share capital in the company and is a 'qualifying person' in respect of the company being sold or a member of a trading group.
- A 'qualifying person' above means an individual who is or has been a director or employee of a company or companies in a group who is or was required to spend 50% or more of their working time in the service of that company or companies in a group in a managerial or technical capacity and has done so for a continuous period of 3 out of the 5 years immediately prior to the disposal of the chargeable business assets.
- Must qualify as a 'relevant individual.' A 'relevant individual' is a person who has beneficially owned the chargeable business assets for a continuous period of not less than 3 years in the 5 years immediately before the disposal of those assets (or in the case of a share disposal, for a continuous period of 3 years at any time prior to the disposal of those shares).

Exclusions

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 primary purpose or one of the main purposes of which is the avoidance of liability to tax.

A qualifying group is one each of the 51% subsidiaries of which consists wholly or mainly of the carrying on of a qualifying business. This has the effect of excluding a disposal of shares in a holding company of a group where any of the 51% group companies carries on a business excluded by the definition of qualifying business. It also excludes entirely from relief any holding company that holds (51% or more of) any dormant company.