UPSIDE PODCAST — #Episode 114

Who qualifies for the Budget's new 10% founders' relief?

The Budget offers a 10% capital gains rate on up to £10m. The conditions are still in consultation, so everything below is a proposal.



THE OFFER

10% capital gains tax on up to £10m of lifetime gains

From 6 April 2027, qualifying founders and significant early investors would pay 10% instead of the main 24% rate, which stays unchanged. The most it can save is £1.4m per person. The government is consulting on the conditions until 30 November, so the details could still change.



COMPANY SIZE

The company needs £10m turnover and 15 full-time staff

Both are measured in the accounting period before the sale. A qualifying employee works at least 35 hours a week, and directors and contractors are excluded.



GROWTH TESTS

The company must pass two of three growth and innovation tests

25% annual compound turnover growth over three consecutive years, starting from at least £10m 25% annual compound headcount growth over three consecutive years, starting from at least 15 staff At least £1.5m of qualifying R&D spend in the three years before the sale A company can qualify without any R&D claim by passing both growth tests.



THE FOUNDER TEST

The founder needs 25% from the start and five years of ownership

The proposed test looks at the founder's initial shareholding, so later joiners, management teams and employees holding EMI options are unlikely to benefit. Once someone qualifies, the relief covers all their shares in the company, including ones acquired later.



THE EXISTING RELIEF

The existing relief for business owners is being halved

From 6 April 2027, the Business Asset Disposal Relief limit falls from £1m to £500,000, still taxed at 18%. Healey said that means no change for three in four claimants and a maximum lifetime saving of £30,000. Anything claimed under it also reduces the £10m founders' limit. Owners of steady, profitable companies that don't meet the growth tests miss out on the new relief and face the lower limit.



FUNDING

The British Business Bank gets £5bn more financial capacity

That includes £1.4bn to invest in equity funds backing high-growth businesses and £450m for a new venture debt product. The Bank mostly works through funds, banks and lenders rather than directly, so founders will see the effect in what those providers offer.

British Business Bank

CLOSER

The full discussion of the Budget and what it means for UK founders

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