Capital Gains Tax – Business Disposal Asset Relief

The benefits of selling by 5th April 2026

The idea that information is power is based upon the rationale that people can make better decisions and have more control over the outcome.

For some time, I have been talking to clients about the possible implications of changes to Government policy on Business Disposal Asset Relief (BDAR) and overall Capital Gains Tax (CGT). But, of course, we have only been able to make decisions based on expert opinion and not facts. The fact is that no changes were ever announced. That is until the first budget by the newly elected Labour government this autumn.

Now we know what their plans are. We are able to have much more detailed discussions with people and are able to drill into exactly what the implications are for our clients who are planning on exiting their dental practice.

The government announced that BDAR will gradually reduce between 6th April 2025 and 5th April 2027.

On 5th April 2025, BDAR will increase to 14%. On 5th April 2026, it will increase to 18%.

Capital Gains Tax was increased from 20% to 24% on 31st October 2024 and will remain at that level at least until 5th April 2027.

There are qualifying criteria that must be met in order for individuals to be eligible to claim BDAR. Whilst I recommend you speak to your accountant, this gives you a flavour of what HMRC will require for you to be eligible.

- The person selling the shares in the company must have owned and worked in the business for at least two years prior.
- They must sell the whole or a large part of the business.
- They must claim business asset disposal relief on the business sale to be allowed to claim the relief on any buildings.

The government has given us three milestones to consider: 5th April 2025, 5th April 2026, and 5th April 2027. We know that the tax relief will reduce, and the tax liability will increase on the first £1,000,000 of the asset disposed of in 2025 and 2026. We don't know what will happen effective 6th April 2027. The labour government could increase or decrease the tax liability on the sale of a business. You can decide where to put your money.

We have done some modelling with Nathan Poole at Ross Brooke to project what the implications are for two of our clients. Practice A has a Capital Gains Liability of £1,850,000 and Practice B has a Capital Gains Liability of £850,000.

What the modelling highlights is that the changes in tax are not equitable for both practices. Practice B has a proportionally higher tax burden. This because the uplift in tax is not equitable.

Just to be clear, unless you have a sale that is well progressed, it will not be possible to complete before the end of the financial year 2025. Therefore, we projected forward to 2026 and 2027.

With Practice A, we saw that, completing a sale by the end of the financial year 2026, the vendor will have a capital gains liability (including their BDAR) of £343,280. This is a capital gains tax liability uplift of 13%.

If Practice A was to complete on a sale during the financial year ending 2027, the vendor(s) would have a capital gains tax liability of £383,280. This is a 12% increase compared to completing before the end of the 2026 financial year.

With Practice B, we saw that, completing a sale during the financial year ending 2027, the vendor(s) will have a capital gains liability of £152,460. This is a 29% increase compared to completing before the end of the 2026 financial year.

The financial burden is higher for the smaller practice because more their CGT liability falls in the £1.00 to £1,000,000 allowance, where the biggest changes have occurred.

Our modelling also projected how much extra value the principals would have to add to their dental practice values to fill the gap in their retirement funds. In Practice A, the principal would have to add £133,000 of fees if they completed after 5th April 2026. For Practice B, the principal would have to add £91,955 in fees if they completed after 5th April 2026.

My message to clients has been that if you are ready to sell, don't delay. There is an opportunity to mitigate a significant amount of CGT by completing your sale prior to 5th April 2026.

It takes nine months from agreeing a sale to get to completion. Ahead of that, you must allow time to appoint a dental broker, launch the practice onto the market and agree a deal with a willing buyer.

There are procedural requirements for vendors, such as NHS transfer process, CQC registrations and third party landlords, which dictate the timescales.

There are also procedural requirements for buyers, such as CQC registration, funding and fulfilling the banks conditions.

But there are parts of the process which can be started at a very early stage, or even before your practice is put up for sale. For example, sorting out your lease, dealing with property regulatory standards, preparing for due diligence and having all the current and historical financial information up to date and available.

Think about how you are going to conduct yourself during the sale process. Being responsive, pragmatic and goal-focused will expedite the process.

If you are not sure if you can meet any of the milestones around the CGT increases, then please contact me for a full assessment of your circumstances.

If you are not at the point of wishing to exit, then speak to your financial planner first to plan your retirement. A financial planner will look at how you are going to finance your retirement, your costs, your lifestyle, what you need and when. ■

About the author

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