

Director's Corner

I am Con Daly, Managing Director of Moneytree Finance Limited, based in Rosscarbery in the heart of West Cork. Over the coming months, I will be offering specialist advice to company directors, under the title 'Director's Corner'.

I am confident that this will be of huge benefit to business leaders, both professionally and financially.



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Entrepreneur relief

This is the fourth in a series of ten articles designed for business owners and wealthy individuals.

Entrepreneur relief is as much as €1,000,000 or €2,000,000 that can be taken from your company at 10% tax, it is one of the three most important tax reliefs available for directors and sole trader business owners. This relief gives a CGT rate of 10% on gains from the disposal of qualifying business assets. This is reduced from the normal rate of 33%.

It is essential that Directors and business owners have knowledge that these reliefs exist and where they might use them.

Entrepreneur relief is really about change and wherever change in a company is happening we need to look to see if we can create an opportunity for relief.

The opportunity of a relief should always be on the mind of a director, because the reality is that the opportunity for entrepreneur relief can be significantly better than you might think.

As part of the three main tax laws that allow you to move funds from your company to your person tax efficiently, it is definitely something that is underutilised and can be used more effectively if directors are aware of the possibilities.

For example, over a long period of running a successful company, directors will often find that their business evolves and sometimes, parts of the company, can actually become a separate viable company in its own right. This can mean that there is new direction possible and when the director is deciding what is actually the best path forward and this is the time you need to ask some questions.

Can these businesses be separate?

Should I close the original company and focus on the new one?

Should I run these as 2 separate companies?

If you find yourself as a director at a crossroads with your company and need to make decisions on a possible new path forward for the company, then this is a time that you need to speak to us to see if we can find an opportunity in the change for tax relief.

Companies do and will continue to evolve and this will be more

and more relevant with changes brought about by AI. The reality is that these opportunities will become even greater as different parts of your businesses become obsolete and new parts evolve.

This is something that involves tax planning and detailed conversations with your accountants and ourselves. Your job as a director is to realise that the change in your business might create an opportunity to use entrepreneur relief.

Here at MoneyTree Finance, entrepreneur relief is high on our agenda, and we help directors to avail of it on a regular basis.

There are several conditions to qualify for entrepreneur relief and these are a few of the most important:

1. The business must be at least three years old
2. The director must have spent over 50% of his or her time working in the business in a technical or managerial capacity for at least three out of the last five years.
3. The business must be a trading company
4. The director must own at least a 5% share of the company

The relief does not apply to disposals of:

1. Shares (other than shares in your trading company), securities or other assets held as investments
2. Development land
3. Assets on the disposal of which no chargeable gain would arise
4. Assets personally owned outside a company, even where such assets are used by the company
5. Goodwill which is disposed of to a connected company
6. Shares or securities in a company where the individual remains connected with the company following the disposal.

Why not give us a call at MoneyTree Finance to find out if you can avail of entrepreneur relief either now or in the future. Having a CFP® Certified Financial Planner on board will help your business develop and grow and, more importantly, ensure that no reliefs are left as unknowns.