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Business Asset Roll Over Relief

Business Asset Rollover Relief allows you to defer tax on gains when certain assets (“old assets”) are disposed of. If other assets (“new assets”) are acquired costing the same amount as the proceeds received for the old assets, the relief will allow the tax on the gain to be postponed until the new assets are disposed of. A partial roll over relief claim can be made if not all of the proceeds received from the old asset are reinvested in the new asset. Also provisional roll over relief may be claimed if it is anticipated that a new asset will be purchased in the future.

Who this relief applies to?

You can claim the relief if:

- you are trading (including companies);
- you are carrying on a business of furnished holiday lettings;
- you are occupying commercial woodlands and managing them commercially to make a profit;
- you are carrying on a profession, vocation, office or employment;
- you are providing an asset to your personal company (i.e. you are able to exercise 5% or more of the voting rights) which has been used in its trade; or
- you have disposed of land by a compulsory purchase.

Traders

If you are a trader you can claim relief if you use the old and new assets in:

- the same trade; or
- another trade that you carry on at the same time or shortly after you have ceased the first trade.

A claim can still be made if there is a gap of three years or less between one trade ending and another beginning.

Qualifying Assets

Both the old assets and the new assets must be:

- interests in buildings or parts of buildings;
- interests in land;
- fixed plant or machinery;
- ships, aircraft, hovercraft, satellites, space stations and spacecraft;
- milk, potato or ewe and suckler cow premium quotas; or

- fish quotas.

Occupation of land and buildings.

The land and buildings must be occupied and used only for your trade if you wish to claim relief.

If the land or buildings have been provided by you for use by your personal company, it is that company which must occupy and use them.

Fixed plant and machinery

This means plant and machinery which is fixed in a particular location.

Buying to make a gain

If you have acquired the new assets to make a profit by selling them, you will not be allowed relief.

Partial relief

If:

- the old assets have only been used in your trade for part of the time you have owned them, or
- only part of a building or structure comprising either the old or the new assets has been used, or will be used, in your trade, you can only claim partial relief.

Depreciating assets

If the new assets are depreciating assets you will get relief by a different method. Instead of your tax being deferred until you dispose of the new assets, it will be deferred until the earliest of the following:

- when you dispose of the new assets,
- when you cease to use the new assets in your trade, or
- 10 years from when you acquired the new assets.

A depreciating asset is any fixed plant or machinery or any asset which will have a life of 60 years or less from when you acquired it.

If you acquire an additional asset which is not a depreciating asset during the period in which your tax is deferred, you can make an additional claim to relief. You can then defer your tax until this additional asset is disposed of.

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A partial roll over relief claim can be made if not all of the proceeds received from the old asset are reinvested in the new asset.

Need help?

For help and advice on any of the matters raised in this guide, please call us and talk to one of our friendly experts.

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Period for reinvestment

You must acquire the new assets, or enter into an unconditional contract for the acquisition of the new assets, in the 12 months before or 36 months after the disposal of the old assets.

HMRC will extend these time limits if:

- you can demonstrate that you had a firm intention to acquire new assets within the time limit; and
- you were prevented from meeting the time limit by some fact or circumstance beyond your control; and
- after being prevented from meeting the time limit you acted as soon as you reasonably could.

Relief available

If you use the whole amount you receive from the disposal of the old assets to acquire new assets, the whole of your gain will be deferred by deducting it from the cost of the new assets. If you use part of the amount you received for the disposal of the old assets and that part includes some of the gain you made, you will get relief for the part of the gain you have used. You deduct that part of the gain from the cost of the new assets.

What is the claim time limit?

You can make a claim within four years after the end of the tax year (or accounting period for companies) in which the later of the following took place:

- the disposal of the old assets, or
- the acquisition of the new assets.

How to claim relief

The relief can be claimed through your self-assessment tax return using commercial software or by attaching a Claim to Business Asset Rollover Relief Form.

Provisional relief

You can use the aforementioned form to also claim provisional relief.

If you intend to reinvest all of the proceeds, you can get provisional relief on the gains you make on that disposal. If you intend to reinvest part of the proceeds, you may be able to get provisional relief on part of the gains you make on that disposal.

The amount of tax you can defer is the amount of tax that would have been deferred if you had actually acquired a new asset costing an amount equal to that part.

If you declare an intention to reinvest but do not acquire new assets and make a claim for rollover relief, you will have to pay the amount of deferred tax, together with interest on that tax from the date on which it was originally due to be paid, to the date on which you actually pay it.

Provisional relief will be allowed until whichever is the earliest of the following:

- the date you make a claim for rollover relief. If you make a valid claim for relief, the tax will be deferred until you dispose of the new asset, or for a depreciating asset, until the time determined above; or
- the date you notify us that your intention has changed and that you no longer intend to reinvest. As interest will be charged on the deferred tax, you can minimise that interest by telling HMRC as soon as possible if your intention has changed. This may be done by contacting HMRC directly. You will then be asked to pay the additional tax due for the year in which the asset was disposed of, together with interest on that tax; or
- Four years from the 31 January following the tax year (or for companies Four years from the end of the accounting period) in which you have made the disposal.

If you have not made a valid claim for rollover relief, or withdrawn the declaration of intent to reinvest, by Four years from the 31 January following the tax year (or accounting period for companies) in which you made the disposal, you will be asked to pay the tax due for that earlier year, together with interest on that tax. If you acquire a new asset after that time and claim relief, the tax and interest can be repaid to you if you meet the conditions, set out above, for the reinvestment time limit to be extended. Your claim will need to be valid in every other respect.

Assistance

If you require assistance or tax advice, please contact one of our team, who will be happy to assist you.

For a free initial consultation please contact:

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