

# BriefingNote

## Rollover Relief for individuals, partnerships and companies

Rollover Relief is a useful way to defer, sometimes indefinitely, capital gains tax on the disposal of assets.

### The essential features of the relief are that:

- the asset has been used, and used only, for the purposes of the trade of the taxpayer
- the proceeds of sale of the asset are used to fund the purchase of a new asset and
- both of the assets fall within one of the classes of asset qualifying for this relief.

Maximum relief is only given where the full proceeds of sale of the old asset are used to purchase the new asset. Where only a proportion of the proceeds is used, the gain rolled over is reduced by the amount of the consideration not spent.

Unless more new qualifying assets are bought within the time limits, the gain not rolled over will be taxable.

### Time limits

The new asset must be acquired up to twelve months before or within three years after the date of disposal of the old asset. HMRC has the discretion to extend these time limits but will only do so if there are special reasons why either the purchase or the sale has been delayed.

### Provisional relief

You may be able to defer payment of the tax arising on the sale of the old asset if you make a declaration of intention to reinvest the whole of the proceeds. However, if you fail to make this reinvestment within the time limit, the gains not eligible for rollover will be chargeable in the year in which the original disposal was made.

HMRC will then charge interest on the tax paid late – and may, in some circumstances, try to impose a penalty.

### Relevant classes of assets

<b>Class 1</b>	Land, buildings, fixed plant and machinery
<b>Class 2</b>	Ships, aircraft and hovercraft
<b>Class 3</b>	Satellites, space stations and spacecraft
<b>Class 4</b>	Goodwill – see note
<b>Class 5</b>	Milk quotas
<b>Class 6</b>	Ewe and suckler cow premium quotas

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## Depreciating assets

A temporary form of 'holdover relief' is available where the new asset is a depreciating asset.

A depreciating asset is an asset that has an expected life not exceeding fifty years, or one that will become such an asset within ten years.

**The gain held over into a depreciating asset is only postponed – it will become chargeable to tax on the earliest of:**

- the date the new asset is sold
- the date on which the new asset ceases to be used for the purposes of the trade and
- ten years after the acquisition of the new asset.

If, at any time before the gain crystallises, a further asset is purchased which is not a depreciating asset, the held over gain can be rolled over into that asset.

## Note - goodwill

A separate regime applies to goodwill (and other intangible assets) in companies with effect from 1 April 2002. The rollover relief described in this factsheet is not relevant to companies in respect of goodwill acquired or created after this date.

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