

Principle Features

Applies where the consideration obtained for the sale of 'old assets' used only for the purposes of the trade throughout the period of ownership, is used to acquire 'new assets' which on acquisition are used only, for the purposes of the trade.

Relief

The consideration for the disposal of the old asset is reduced such that neither a gain nor a loss arises (after indexation).

N.B. Indexation is only available to companies for disposals on or after 6 April 2008.

The acquisition cost of the new asset is reduced by a similar amount.

Time Limit

The acquisition of the new assets must take place within one year before or three years after the disposal of the old assets (or such longer time as allowed by HM Revenue & Customs).

A claim must be made within five years and ten months (six years for companies) of the end of the year of assessment or accounting period in which the disposal takes place or acquisition occurs, whichever is later.

Qualifying Assets

- buildings or land occupied (as well as used) for the purposes of the trade (but

not where a trade is dealing in or developing land or of providing services for the occupier of land in which the persons carrying on the trade has interest)

- fixed plant or machinery
- ships, aircraft and hovercraft
- satellites, space stations and spacecraft
- goodwill
- milk quotas and potato quotas
- ewe and suckler cow premium quotas
- fish quotas
- Lloyds syndicate rights
- UK oil licences
- Payment entitlement under farmers' single payment scheme

Other Matters

Assets must be used for trade, i.e. intention is not sufficient.

Where new asset is not, on acquisition, immediately taken into use for the purposes of a trade it will qualify for relief provided:

- capital expenditure is being incurred to enhance its value
- such work begins as soon as possible
- on completion the asset is used for the trade

Technical Guidelines

Rollover Relief (Replacement of Business Assets)



- the asset is not let or used for non-trade purpose in the meantime

Relief is available where qualifying assets are disposed of and acquired by an individual, where the trade is carried on by his personal company (i.e. he owns at least 5% of the share capital). The payment of rent by the company to the individual in these circumstances should not debar relief.

Relief is available where qualifying assets are disposed of and acquired by an individual, where the assets are let to a trading or professional partnership of which he is a member, if they are used for the purposes of its trade or profession.

Relief is available where a gain arises on the sale of assets used in an old trade and new assets are acquired for a subsequent trade, provided they are not used for any purpose in the intervening period and are used immediately on commencement of the new trade and the intervening period is less than three years.

All trades carried on by members of a group of companies are treated as a single trade such that a disposal of a qualifying asset can be made by one company and an acquisition by another group company.

Where part of the asset is not used for business purposes or the whole asset is not used during part of the period of ownership, appropriate apportionment is necessary to exclude relief on the non-use part.

Partial relief is available where proceeds for the sale of an asset are not wholly used to acquire a new asset, provided the part reinvested is not less than the gain.

If the new asset is a wasting asset, or will become so within ten years, the gain is not deducted from the cost of the new asset, but held over until the earlier of:

- ten years after the time of acquisition
- the disposal of the new asset
- the new asset ceasing to be used for the trade

and then it becomes chargeable.

If a new non-depreciating asset is acquired before this date, the original gain can be rolled over as normal.

Advice that stands the test of time

This is intended to provide a guide to current tax issues. It is not a substitute for technical advice. If you have any queries, please do not hesitate to contact us.