11. Replacement of business assets (rollover relief)

11.1 Introduction

Replacement of business assets relief, also known as rollover relief, is a CGT relief that allows a trader (or other qualifying activity – see **11.2.2**) to defer the capital gain that arises on the disposal of a business asset.

For relief to be available, there must be a disposal of a qualifying asset (see **11.3**) that is used in the trader's business, and an acquisition of a new qualifying asset within the relevant time-frame (see **11.3.2**). That new asset should also be acquired for use in the trade.

The way rollover relief is given depends on whether the new asset is a depreciating asset or a non-depreciating asset.

In the case of a non-depreciating asset, relief is effectively given by reducing the base cost of the new asset by the amount of deferred gain (see **11.5**). Where a depreciating asset is acquired, the gain arising on sale of the old asset is effectively held over until a taxing point occurs (see **11.7**).

11.2 Who can claim

11.2.1 General rules

Rollover relief is available to a "person carrying on a trade".

There are two key words here: "person" and "trade".

Person

The term "person" casts a wide net, and includes individual sole traders, companies and partnerships, including LLPs (see **11.9**).

Companies are, generally, beyond the scope of this book.

Rollover relief can also be available where an individual disposes of and acquires qualifying assets to be used in a trade carried on by his or her personal company (see **11.11**).

Trade

The term "trade" takes the same meaning as for income tax purposes, meaning that it also includes activities such as farming and furnished holiday letting businesses (see **11.10**).

Law: TCGA 1992, s. 152(1)

11.2.2 Extension of availability

Section 158 extends the availability of rollover relief, allowing it to apply to other activities, including (among others):

- the discharge of the functions of a public authority;
- the occupation of woodlands where the woodlands are managed by the occupier on a commercial basis and with a view to the realisation of profits;
- a profession, vocation, office or employment (see Statement of Practice 5/86 for employees and office-holders); and
- the activities of a body of persons whose activities are carried on otherwise than for profit and are wholly or mainly directed to the protection or promotion of the interests of its members in the carrying on of their trade or profession as are so directed.

Law: TCGA 1992, s. 158
Guidance: SP 5/86

11.2.3 More than one trade

Where a person, either successively or at the same time, carries on two or more trades, then for the purposes of rollover relief they are treated as a single trade.

HMRC confirm in SP 8/81 that if a trader ceases to carry on the trade and commences carrying on another trade, HMRC will regard the trades as having been carried on successively within the meaning of s. 152(8), provided that the interval between cessation and commencement does not exceed three years. Note that this does not override the requirement in s. 152(3) for the acquisition to take place within the usual time limits (see **11.3.2**).

Law: TCGA 1992, s. 152(3), (8)
Guidance: SP 8/81

11.3 Qualifying assets

11.3.1 Types of qualifying asset

For rollover relief to be available, both the old asset disposed of, and the new asset acquired, should be qualifying assets.

Note that an asset is also qualifying if it is an interest in an asset.

A range of different assets may qualify for rollover relief. The full list is outlined in s. 155, but it includes:

- any building or part of a building and any permanent or semi-permanent structure in the nature of a building, occupied (as well as used) only for the purposes of the trade (see **11.3.5**);
- any land occupied (as well as used) only for the purposes of the trade (see **11.3.5**);
- fixed plant or machinery that does not form part of a building or of a permanent or semi-permanent structure in the nature of a building (see **11.3.7**);
- ships, aircraft and hovercraft;
- satellites, space stations, and spacecraft;
- goodwill;
- milk and potato quotas;
- ewe and suckler cow premium quotas;
- fish quota;
- payment entitlements under the farming single payment scheme;
- payment entitlements under the farming basic payment scheme;
- rights of a member of a Lloyd's syndicate; and
- Lloyd's members' agent pooling arrangements.

In the legislation, the above assets are broken down into different "classes". However, this has no practical implication for current rollover relief claims.

Law: TCGA 1992, s. 155

11.3.2 Time limits

Under s. 152(3), rollover relief is available if the acquisition of the new asset takes place, or an unconditional contract for the acquisition is entered into, between:

- the 12 months prior to the disposal of the old asset; and
- three years after the disposal of the old asset.

This, in practice, provides a four-year window during which time the acquisition of a qualifying business asset is eligible for rollover relief.

Example 1

A building used exclusively in Josephine's trade is sold in December 2021 for £250,000, realising a gain on disposal of £100,000.

A new building used exclusively in Josephine's trade is purchased in June 2022 for £300,000. Full rollover relief is available if Josephine wishes to make a claim.

Example 2

In June 2021, Miss Bows purchases a new building to be used exclusively in her trade for £600,000.

A few months later, in January 2022, Miss Bows sells a different building that she had used exclusively in her trade for £550,000, realising a gain on disposal of £300,000.

Full rollover relief is available on the gain arising from the disposal of the building in January 2022, if Miss Bows wishes to make a claim.

HMRC may allow an extension of the above time limits.

Section 152(4) goes on to state that where an unconditional contract for the acquisition exists, a rollover relief claim may be given on a provisional basis without waiting to ascertain whether the new assets, or the interest in the new assets, is acquired in pursuance of the contract.

Once details are known, all necessary adjustments are then made by making or amending assessments or by repayment or discharge of tax without regard to the usual time limits.

Law: TCGA 1992, s. 152(3), 152(4)
Guidance: CG 60300

11.3.3 Trading condition

Rollover relief will not normally be available unless the new asset was acquired for the purpose of being used in the trade and is immediately so used following purchase. In other words, an asset that is purchased with the intention of being used, but is not actually used in the trade after purchase, is not usually a qualifying asset.

Similarly, the old asset disposed of must have been used in the trade to be qualifying. For partial rollover relief claims, see **11.6**.

Law: TCGA 1992, s. 152(1)
Guidance: CG 60270

11.3.4 Purpose of acquisition

Rollover relief is not available where the new asset was acquired, whether wholly or partly, for the purpose of realising a gain from the disposal of the new asset.

Law: TCGA 1992, s. 152(5), 155
Guidance: CG 60270

11.3.5 Land and buildings

Buildings and land are separate assets for rollover relief purposes, meaning that separate rollover relief claims may be made in respect of each. In such cases, this may mean apportioning proceeds/costs as required.

Additionally, land and buildings are qualifying assets provided they are both occupied and used only for trade purposes. Whether these two tests are met is a question of fact.

However, land/buildings are not qualifying assets for rollover relief purposes where the trade is one of:

- dealing in or developing land; or
- providing services for the occupier of land in which the person carrying on the trade has an estate or interest.

The exception to this is where the trade is one of dealing in or developing land, but a profit arising on the sale of any land does not form part of the trading profits. In such cases, rollover relief may still be available on the land.