

## Abolishing capital gains tax entrepreneur's relief migh...

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The fifth recommendation that will eventually form part of the Taxing Wealth Report 2024 has been published.

Like other suggestions in this series, this one is intended to make a change to the UK tax system that helps remove the systemic bias towards those with wealth inherent within it.

[This latest recommendation](#) suggests the abolition of what is technically called capital gains tax business asset disposal relief, but which is still popularly known as entrepreneur's relief.



[The summary of this](#) proposal says:

### **Brief summary**

This note suggests that:

- \* Capital gains tax business asset disposal relief, which is still popularly known as entrepreneur's relief, should be abolished.
- \* This relief does at present offer a 10% tax rate on the first £1 million of gains made by a person during their lifetime when disposing of relevant business assets, which will usually be an interest in a private business.

- \* The relief is claimed by relatively few people a year and the vast majority of the relief by value usually goes to a relatively small number of claimants. In 2020, just 4,000 claimants enjoyed 73 per cent of the total relief provided by value.
- \* The relief makes no economic sense. It does not encourage entrepreneurial activity because it provides relief when a business is sold, i.e., when the person making the claim has ceased entrepreneurial activity. As a result, the relief does not encourage entrepreneurial activity but does instead encourage short-termism within the UK economy. This is sufficient in itself to justify the abolition of this relief.
- \* HM Revenue & Customs estimate that at current rates of capital gains tax this relief now costs £1.1 billion per annum. However, this report suggests that current capital gains tax rates be abolished and that capital gains should be taxed at income tax rates. That is likely to increase the cost of this relief, and so the amount that might be saved by its abolition, to approximately £2.2 billion per annum.

## **Discussion**

There has been widespread belief for a long time that this relief has been both egregious and economically inappropriate. This is no doubt why the lifetime allowance for this relief was reduced from £10 million to £1 million in 2020, but the remaining relief makes no more sense despite that reduction than it did before the cut took place for reasons noted above. As a result, its abolition is proposed.

## **Cumulative value of recommendations made**

The five recommendations now made as part of the Taxing Wealth Report 2024 would, taking this latest proposal into account, raise total additional tax revenues of approximately £49.9 billion per annum.