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Selling assets from a self-employed business

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Whether you're planning to offload an old computer to free up some money and space, or considering closing your business, selling assets from a self-employed business will have implications for your tax returns.

Business assets can be tangible (physical items such as equipment and property), or intangible (intellectual property, for example). They might also be classed as current, referring to those which will be turned into cash within 12 months such as inventory, and non-current which will continue to provide value for more than one year.

To be classed as a business asset, it needs to be something which was bought exclusively or primarily for work use. Or that you have created as a result of your business.

The complexity of a sale will depend on the nature and value of the asset, and it's often worth contacting an accountant or financial specialist to ensure you're compliant with the correct tax system, as well as getting any allowance or tax relief which you may be eligible

for. [IPSE membership](#) includes tax and legal helplines which can provide guidance on a range of self-employed financial matters.

- Can you sell a business asset to yourself?
- What taxes apply when you sell business assets?
- Setting a value for your business assets
- Can you offset any costs of sale and disposable?

Can you sell a business asset to yourself?

It's entirely possible to sell a business asset to yourself as an individual. This is most common when a company ceases trading, although it can occur for other reasons (if you're repeatedly being taxed for using a high value asset, for example).

You'll be required to record the transaction as usual, and to pay a reasonable price reflecting the market value of the asset. And you'll also have to consider VAT if you're acquiring assets with a value of more than £6,000 including VAT).

If you're changing a private limited company to become a sole trader or partnership, then [Disincorporation Relief](#) may apply, which can avoid incurring a corporation tax charge on the disposal of the assets.

If you're selling company assets to yourself as a director, then you need to ensure you're avoiding any potential conflicts of interest, and following proper disclosure and approval otherwise you may be liable to legal action.



What taxes apply when you sell business assets?

All limited companies in the UK need to pay corporation tax on any profit or chargeable gains made via the sale of business assets, which is currently 19% at the time of writing for companies with profits under £50,000, and 25% above this (with marginal relief for those between £50,000 and £250,000).

This is slightly more complicated when it comes to intangible items. If they were created or acquired after 31st March 2002, then the gains will be included in your business income and corporation tax will apply. But if they existed before April 1st, 2002, calculating the gains can be more complicated and require specialist help to make sure the amounts are correct.

If you're a sole trader or in a partnership then Capital Gains Tax (CGT) is paid on any chargeable gains from selling or disposing of business assets. If you're currently in the

basic rate of income tax bands (up to £50,270 at the time of writing), then CGT will be 18%, but it rises to 24% on any income above the basic rate allowance.

For gains from residential properties, the basic and higher rates are the same.

You may be able to reduce the amount payable via a number of measures, including [Business Asset Disposal Relief](#) or [Business Asset Rollover Relief](#) for sole traders and partnerships, [Disincorporation Relief](#) for limited companies, or [The Patent Box](#) for patented inventions and related intellectual property.

Setting a value for your business assets

You'll need to be realistic about the price of your assets whether you're transferring them to yourself or looking to find an external buyer. Most tangible business assets will be subject to depreciation over time, meaning their value is likely to be much less than when originally purchased.

Ultimately, the value of assets is set at what someone else is willing to pay for them. There are various ways to research potential sale prices on common items, depending on the type of asset you're selling. For example, completed sales of similar equipment on eBay, or used car price guides.

Intangible assets can be harder to value accurately. If you're selling or licensing the use of intellectual property, then it's more likely you'll need specialist advice to price it effectively and maximise your returns.

It can be worth doing an informal audit of your home office or business equipment every 12 or 24 months to assess which assets will have been written off due to depreciation for your annual tax returns, and what equipment might be unnecessary and gathering dust in the corner.



Can you offset any costs of sale and disposable?

If you're making improvements to a business asset outside of regular repairs and maintenance, this can be offset alongside any valuations, advertising, or the actual disposal of physical items.

You may also be eligible for [Gift Hold-Over Relief](#) if you're a sole trader or business partner, or have at least 5% of voting rights in a company, and give away assets. You'll need to claim jointly with the recipient, at the same time as you provide the gift. Giving

away business assets can also entitle the recipient to potentially get [Business Relief on Inheritance Tax](#).



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