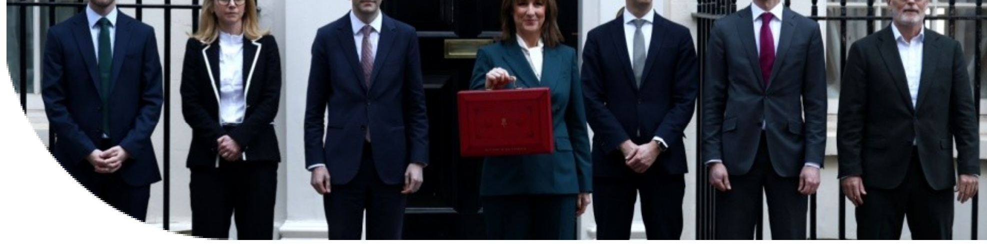

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Autumn Budget 2025: How Changes Will Influence Business Disposals and Shareholder Exits

AUTHOR / KEY CONTACT

Jamie Earley
Partner

jamie.earley@la-law.com
023 8082 7471

The Autumn Budget 2025 may not have altered the headline Business Asset Disposal Relief (BADR) rate or the already planned increased from 14% to 18% in April 2026, but it does introduce some measures that will directly influence how business owners plan and execute disposals. Perhaps, the most significant change is the reduced tax advantages of Employee Ownership Trust (EOT) sales. For shareholders and advisers, the new regime demands a refreshed approach to valuation, timing and deal structure.

Reduced Relief on EOT Disposals

One of the most impactful Budget announcements is the reduction of capital gains relief on disposals to Employee Ownership Trusts. Previously, shareholders could benefit from a full 100% CGT exemption when selling a controlling stake to an EOT. Under the new rules (which take immediate effect), relief is capped at 50%. This halves the tax benefit and represents a material shift in the attractiveness of EOTs as an exit route. Or, in other words, an effective 9% CGT rate from April 2026, when the rate applying to BADR increases to 18%.

For many owners, EOTs were a compelling alternative to trade or private equity sales because they blended tax efficiency with a perceived legacy benefit—keeping the business with its employees. With the reduced relief, shareholders will need to re‑run their numbers. Net proceeds may now be significantly lower, potentially altering expectations for retirement planning, succession strategy and deal timing.

Valuation and Deal Dynamics Under the New Regime

The reduction in relief is likely to influence price expectations on all sides. Sellers may seek higher headline valuations to compensate for the reduced tax savings, whilst buyers—whether the trust itself, a newco structure or supporting lenders—may be unwilling or unable to meet those expectations. This may reduce transactional appetite for EOT‑driven exits in the short term.

Traditional disposals to trade buyers or financial investors may regain comparative appeal for those initially

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looking at an EOT exits as it loses some of their tax advantage. That shift may also affect market behaviour: more business owners could gravitate back toward competitive sale processes, potentially increasing deal activity in certain sectors.

Our Perspective

Jamie Earley, Corporate Partner at Lester Aldridge, comments:

"For many shareholders, the reduced relief on EOT sales will mean that exit strategies need to be thought through more carefully. Valuation, structure and timing are now more important than ever, and advisers must ensure clients fully understand the implications (tax and commercial) before committing to a disposal route. If EOTs become less attractive and traditional sale routes are used, then I can see the earn-outs being used even more to bridge the gap to try and reach a seller's proceeds goal; this can create a large "expectation gap" between what a buyer really anticipates paying and what sellers expect to receive once the earn-out period has ended. This has been very prevalent issue in recent years."

Key Takeaways

- EOTs remain an option, but their appeal is significantly reduced.
- Sellers should revisit valuations in light of the new rules.
- Early professional advice is essential to avoid unexpected tax and commercial outcomes.
- These changes take immediate effect.

Considering a disposal or exit strategy?

Speak to our Corporate team for tailored advice on structuring your deal under the new regime.

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