

You should assume that the tax allowances for the tax year 2018–19 applied in previous tax years.

Hali and Goma are a married couple.

Capital losses brought forward

Hali had capital losses of £39,300 for the tax year 2016–17. He had chargeable gains of £15,700 for the tax year 2017–18.

Goma had capital losses of £9,100 and chargeable gains of £6,900 for the tax year 2017–18. She did not have any capital losses for the tax year 2016–17.

Ordinary shares in Lima Ltd

On 24 July 2018, Hali sold 5,000 £1 ordinary shares in Lima Ltd, for £4.95 per share. Lima Ltd's shares have recently been selling for £5.30 per share, but Hali sold them at the lower price because he needed a quick sale.

Goma, Hali's wife, had originally subscribed for 30,000 ordinary shares in Lima Ltd at their par value of £1 per share on 28 July 2007. On 18 August 2016, she gave 8,000 ordinary shares to Hali. On that date, the market value for 8,000 shares was £23,200.

Hali and Goma will both dispose of their remaining shareholdings in Lima Ltd during the tax year 2019–20. However, they are unsure as to whether these disposals will qualify for entrepreneurs' relief.

Antique table

On 11 October 2018, an antique table owned by Hali was destroyed in a fire. The table had been purchased on 3 June 2009 for £44,000. Hali received insurance proceeds of £62,000 on 12 December 2018, and on 6 January 2019, he purchased a replacement antique table for £63,600. Hali will make a claim to roll over the gain arising from the receipt of the insurance proceeds.

Disposals by Goma during the tax year 2018–19

Goma disposed of the following assets during the tax year 2018–19, all of which resulted in gains:

- (1) Qualifying corporate bonds sold for £38,300
- (2) A motor car (suitable for private use) sold for £11,600
- (3) An antique vase sold for £6,200
- (4) A copyright (with an unexpired life of eight years when purchased) sold for £5,400
- (5) Quoted shares held within an individual savings account (ISA) sold for £24,700

In deciding whether Hali and Goma's future disposals of their shareholdings in Lima Ltd will qualify for entrepreneurs' relief, which one of the following statements is correct?

- A. Hali and Goma must be directors of Lima Ltd
- B. Lima Ltd must be a trading company
- C. Hali and Goma must have shareholdings of at least 10% each in Lima Ltd
- D. The qualifying conditions must be met for a period of three years prior to the date of disposal