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New Tax Law Offers Strategic Capital-Gains Breaks for Investors and Entrepreneurs

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A sweeping Republican tax reform, informally dubbed the "One Big Beautiful Bill," has introduced targeted capital-gains tax benefits designed to promote investment, fuel entrepreneurship, and support long-term wealth creation. Enacted on 4 July 2025, the legislation maintains the top 23.8% capital-gains rate but implements reforms that incentivise economic development in underserved regions while promoting fiscal discipline.

At the heart of the bill is the permanent expansion of the Opportunity Zone programme, enabling investors to defer and reduce capital gains from investments in economically distressed or rural areas. This measure is projected to save investors approximately $41 billion by 2034 and is intended to drive private capital into communities most in need of revitalisation.

Entrepreneurs will benefit from an increase in the exclusion cap for Qualified Small Business Stock (QSBS) under Section 1202 of the Internal Revenue Code. The cap has been raised from $10 million to $15 million per investment. This adjustment is expected to result in $17 billion in tax relief and to stimulate funding for early-stage businesses by improving the appeal of startup equity.

The bill also provides significant estate-tax relief. Individuals can now transfer up to $15 million tax-free to heirs, with full inflation indexing and retention of the "step-up" in basis for capital gains. This change ensures that more family-owned businesses and farms can be passed on without triggering substantial tax bills, particularly critical for middle- and upper-middle-class households.

Additional provisions favour the private equity and venture capital sectors. The "carried interest" loophole, long criticised by progressives, remains untouched, and rules on interest deductibility have been relaxed to encourage leveraged investments. Tax levels introduced under the 2017 Tax Cuts and Jobs Act (TCJA) have also been extended, reinforcing a pro-growth, low-tax framework.

A revised QSBS structure now includes progressive tax exemptions: 50% after three years, 75% after four, and 100% exemption after five years. This is expected to encourage faster reinvestment in startups and attract more high-net-worth individuals into early-stage funding.

From a centre-right perspective, the bill reflects sound economic principles: incentivising private investment, reducing government interference, and encouraging capital flow into underdeveloped areas. While some critics argue the reforms favour the wealthy, the broader impacts, particularly in Opportunity Zones and among small-business founders, point to potential bipartisan economic gains.

Ultimately, while headline rates remain unchanged, the bill offers a clear message: smart, targeted tax relief can encourage growth without compromising fiscal responsibility.