



NUTSHELL GUIDE TO CAPITAL GAINS TAX

Where certain types of assets are disposed of (whether by selling or giving away the asset) by someone living in the UK (or within 5 years of leaving the UK) for more than they originally cost, there may be a tax charge on the gain known as Capital Gain Tax or CGT. These assets mainly include property (land, buildings etc.), investments (shares, businesses, artworks etc.) and intangibles (goodwill, share rights etc.) however certain assets are not included such as personal possessions (called chattels) which wear out or are worth less than a certain amount (which is specified each year), private cars, principal residence, betting winnings and compensation for injury or damages.

The gain is calculated taking the proceeds of disposal (or the asset value where gifted) and deducting any costs associated with the disposal (eg legal or valuation fees). From that amount is deducted the cost of the assets (or its value at 31 March 1982 if it was acquired before then) plus any expenses associated with acquiring it and any subsequent expenditure since it was bought. The net result of this calculation is the Capital Gain.

At the end of the tax year (5 April in the UK) all the gains are added together and if there are any capital losses (calculated in the same way as the gains) they are deducted along with the Annual Exempt amount for that year. The result is the Chargeable Gain which is then added to the total of income assessable to Income Tax in order to determine what rate of CGT is payable. Where the total of both is under the basic rate threshold for income tax, the Standard Rate of CGT applies to the Chargeable Gain and to the extent that the basic rate threshold is exceeded, the Higher Rate of CGT will apply – see current rates here.

There are additional reliefs available where business assets are disposed of that will allow the gains to be either 'rolled over' (where the sale proceeds are reinvested into another business asset) or 'held over' (where the business asset is gifted).