Capital Gains Tax Planning

Capital Gains Tax (CGT) applies when chargeable assets are disposed of and is applicable to individuals and trustees but not to limited companies, although Limited Companies do pay Corporation Tax on the gains that they make.

How a Capital Gain occurs

A capital gain occurs when the value of an asset at the date it is disposed of is higher than when it was acquired. An asset can be disposed of either by sale or by gift. If you give away an asset away in an uncommercial transaction, the market value will replace any actual consideration paid.

For assets acquired before 31 March 1982 the cost usually taken to be the value on that day, although actual cost can be used in some circumstances.

The following also reduce the amount of the chargeable gain...

- Incidental costs of acquisition;
- Expenditure to enhance the value of the asset;
- Incidental costs of disposal; and
- Tax reliefs and allowances (see below).

Tax Reliefs

- There are several different tax reliefs which can reduce the chargeable gain. We can review all the options and advise on the reliefs most applicable to your case. Many well known reliefs include...
- Rollover/holdover relief on replacement of business assets
- Business incorporation relief
- Holdover gift relief
- Entrepreneurs' relief - for disposals after 5th April 2008.
- Taper relief and Indexation allowance have ceased with effect from 6th April 2008