

Capital Gains Tax Fact Sheet

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Stockbroking & Investments Since 1906

Individuals and trusts are liable to Capital Gains Tax (CGT) on a 'gain' arising from the disposal of a 'chargeable' asset. The gain is the amount of the sale proceeds less the amount you originally paid, and the expenses incurred. The gain is offset against an annual allowance. If the gains made in any one tax year, after offsetting against losses, are below this threshold, then the gain is not liable to tax. The annual allowances are detailed below:

		2021/22
ANNUAL ALLOWANCE	INDIVIDUAL	£12,300*
	TRUST	£6,150*

CGT RATES

- A rate of 10% applies to the amount of gain falling into an individual's basic rate tax band for income.
- A 20% tax rate applies on any amount above the basic tax rate band.
- There is an 8% surcharge on all rates for gains on residential property or carried interest.
- Individuals can benefit from a rate of 10% on gains qualifying for Entrepreneurs' Relief.
- A rate of 20% is payable by trustees or personal representatives of a deceased person on chargeable assets. 28% is payable on residential property.

TRANSFERS BETWEEN SPOUSES

Spouses and civil partners are taxed as separate individuals, with each spouse being entitled to his or her own annual exemption. If you are married, or in a civil partnership, and gains are expected to exceed your annual allowance, you can transfer assets into your spouse's name, and also use up their allowance. These transfers are deemed to have transferred for an amount which gives no rise to a loss or a gain and are therefore tax-free. Individuals can, therefore, sell assets with large gains that previously belonged to their spouse (which are now in their name) to mitigate or reduce potential CGT

BED AND SPOUSING

This is where one spouse sells equities and the other buys them back. Investors should be aware, however, that HM Revenue & Customs (HMRC) could always challenge the 'Bed and Spouse' exercise by using their general anti-tax avoidance legislation. However, you can, for example, sell Barclays and buy Lloyds in order to maintain a portfolio's exposure to a particular sector.

THE 30-DAY RULE

If you wish to repurchase an investment that you have recently sold, over 30 days must elapse between the two transactions in order for you to utilise your CGT exemption or create a loss to offset against other gains realised within the same tax year. If 30 days haven't passed, the investment retains the original base price rather than resetting to the new purchase price.

BUILD YOUR TAX SHELTER

It is never too late to start building your personal tax shelter ~ you can currently put £20,000 per annum into a Stocks and Shares ISA. If you want to retain existing shareholdings, but would prefer them to be in the tax efficient ISA wrapper, you can 'Bed and ISA' the holding(s). A 'Bed and ISA' transaction allows you to 'transfer' shares that you already own from outside a tax shelter into an ISA. Under HMRC rules, existing shares must be sold and repurchased using the funds available within your ISA. This process is usually subject to two sets of commission, but Cave & Sons makes it more attractive by charging just one commission on the sale of the shares. If the sale results in a capital gain, this may be liable to Capital Gains Tax.

This information is, to the best of our knowledge, a correct interpretation of the CGT rules and we have taken every step to ensure its accuracy. Investors should seek the advice of a tax adviser where they feel it is necessary. Investors are reminded that HMRC has the power to challenge any tax avoidance transaction: clients deal at their own risk.

Investments and income arising from them can fall as well as rise in value and you may lose some or all of the amount you have invested. Tax treatment depends on the specific circumstances of each individual and may be subject to change in the future.

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