

## Capital Gains Self-Assessment Quick Guide

There is a lot of talk about the chancellor revamping the Capital Gains Tax regime, including increasing the tax rates to align with the income tax rates and removing entrepreneurs' relief. Now is the time to review your tax affairs with your accountant to take advantage of the current low rates.

### What is Capital Gains Tax?

Capital Gains Tax is charged to UK and non-UK residents when certain assets change ownership. This change of ownership can come about through sale, exchange or gifting and can be charged on UK and non-UK assets.

### Is there an Allowance?

Yes. Everyone has an Annual Exempt Amount of £12,300 (£6,150 for Trusts). You only have to pay CGT on gains over this allowance.

### Which Assets are Chargeable?

Chargeable assets include:

Land

Second properties

Investment

Investment trusts

Property that is not your first family home. CGT may be charged on particularly large homes, homes that are used for business or if let out.

Shares that are not in an ISA or Personal Equity Plan

Business assets

Most personal possessions worth over £6,000

### Capital Gains Reliefs

There are several forms of CGT relief available:

**Private Residence Relief** - You do not usually have to pay CGT when you sell or otherwise dispose of your family home. If you use part of your home exclusively for business you will be liable to pay tax on that part.

**Business Asset Rollover Relief** - If you are a sole trader, business partner or have shares in a personal business and sell all, or part of your business you can pay 10% CGT on eligible profits.

**Incorporation Relief** - If you transfer your business and assets for shares in the company you can



delay paying your CGT.

**Business Asset Rollover Relief** - When you sell assets but are replacing them within 3 months you can delay paying CGT.

**Disincorporation Relief** - You may be eligible if your limited company becomes a partnership or sole trader.

### **When and How do I declare Capital Gains Tax?**

You need to declare your CGT in your self-assessment tax return during the same financial year as the asset changes hands.

### **What are the Taxation Rates?**

The rate of CGT that you pay will depend on which income tax rate you pay:

Higher or additional rate -  
28% on residential property  
20% on other assets

If you are a basic rate taxpayer then are a few more steps to calculating your tax:

First work out your taxable income

Deduct your tax-free allowances from your total taxable gains

Add this amount to your taxable income If this amount is below £45,000 you will pay:

18% on residential property  
10% on other assets

If this amount is over the basic rate income tax band you will pay:

28% on residential property  
20% on other assets.