

Capital Gains Tax (CGT)

CGT is a tax on capital 'gains' which applies if you sell or give away an asset that has increased in value. You may be taxable on the 'gain' (profit) subject to certain rules. Everyone has an allowance before becoming liable for CGT - even children. For the 2008/09 tax year this is worth £9,600. A couple will be able to make capital gains of £19,200 before they face a tax bill.

You don't have to pay CGT on:

- Sale of personal belongings worth £6,000 or less when you sell them
- Your car
- Your main home - provided certain conditions are met
- ISAs or PEPs
- UK Government gilts (bonds)
- Betting, lottery or pools winnings
- Money which forms part of your income for income tax purposes

If you are married or in a civil partnership and living together you can transfer assets to your husband, wife or civil partner without having to pay CGT but you can't give assets to your children or others or sell them cheaply without considering CGT. In some cases you can reclaim losses, but only if the asset normally attracts CGT.

If someone dies and leaves their belongings to their beneficiaries, there is no CGT to pay at that time - however if an asset is later disposed of by a beneficiary, any CGT they may have to pay will be based on the difference between the market value at the time of death and the value at the time of disposal.

How CGT is calculated

Capital Gains Tax is worked out for each tax year (6 April to 5 April the following year) and charged on the total of your taxable gains, after taking into account certain costs and reliefs, allowable losses (which can be carried forward indefinitely) and the annual exempt (tax-free) amount.

The current annual CGT tax-free amount is £9,600 for individuals for 2008-2009 taxable at a single flat rate of 18 per cent (no matter how long you have held the assets).

Please contact us on 01242 269656 for more information on this complex subject.

This article (Capital Gains Tax) is intended to provide a general appreciation of the topic and it is not advice. Guidance should be sought from a specialist who is qualified to advise in your specific circumstances.

For more information on this topic, please contact Cheltenham Independent Financial Advisers Limited on 01242 269656 or email us at info@cheltenhamifa.co.uk. One of our advisers will be happy to assist you.