



CAPITAL GAINS TAX - RATES AND EXEMPTIONS

Rates

From tax year 2000/01 capital gains are added to income and are charged to tax at the taxpayer's marginal rate of tax.

From 6 April 1998, gains of all trusts and personal representatives are taxed at 34%.

Taper Relief - Proposed from 06/04/2002

Business Assets

Number of whole years after 05/04/1998 for which asset held	Percentage of gain chargeable %	Equivalent rate for higher rate CGT payers %
0	100	40
1	50	20
2 or more	25	10

Non-Business Assets

The UK-Government is considering changes to the taper relief rates set out below, and an announcement can be expected in the next Budget, due in March, 2002.

Tax Years 2000/01 and 2001/02

Business Assets

Number of whole years after 05/04/1998 for which asset held	Percentage of gain chargeable %	Equivalent rate for higher rate CGT payers %
0	100	40
1	87½	35
2	75	30
3	50	20
4 or more	25	10

Non-Business Assets

Number of whole years after 05/04/1998 for which asset held	Percentage of gain chargeable %	Equivalent rate for higher rate CGT payers %
0 – 2	100	40
3	95	38
4	90	36
5	85	34
6	80	32
7	75	30
8	70	28
9	65	26
10 or more	60	24

Notes

1. For disposals of non-business assets after 06/04/2000 that were acquired before 17/03/1998 a bonus year may be added in determining the percentage of the gain that is chargeable.
2. The taper is applied after deducting any losses of the same tax year or losses brought forward, and after any reliefs such as roll-over relief or retirement relief.
3. Business assets are defined as:
 - An asset used for the purpose of a trade carried on by the taxpayer, or
 - As asset held for the purposes of a qualifying office or employment, or
 - A "qualifying shareholding" in a "qualifying company."

From 06/04/2000 a "qualifying shareholding" is:

- All shareholdings held by employees or officers in unquoted or quoted trading companies.
- A shareholding in a quoted trading company where the holder is not an employee or officer, but who can exercise at least 5% of the voting rights.

A "qualifying company" is a trading company, or the parent company of a trading group.

Exemptions and Reliefs

	2001/02	2000/01
	£	£
Annual exempt amount <i>for individuals</i>	7,500	7,200
Chattel exemption (<i>maximum sale proceeds</i>)	6,000	6,000
Maximum retirement relief <i>see note below</i>	250,000	375,000

Note

Retirement relief is being phased out and will cease to be available for disposals after 06/04/2003. For 2000/01, the maximum retirement relief is £150,000 plus one-half of the gains between £150,000 and £600,000; for 2001/02 the figures are £100,000 and £400,000, and for 2003/03 the figures are £50,000 and £200,000.

Any questions?

Contact Alan Collett on +44 (0)2380 488786, or alan@collettandco.com