

THE ACCOUNTANTS FOR CAPITAL GAINS TAX

What is UK Capital Gains Tax?

In the UK, Capital Gains Tax (CGT) is a tax that is sometimes applied on the profit (or gain) you make when you dispose of a 'chargeable asset' that has increased in value.

Before we delve into the details, let's clear up what 'profit', 'dispose of' and 'chargeable asset' mean. It makes understanding this tax a lot simpler!

- **What is meant by 'profit'?**

Imagine you buy an antique table for £8,000. You then sell it for £15,000. You make £7,000 profit for CGT taxation purposes (i.e. you are taxed on the £7,000, not the full £15,000 sale price).

- **What does 'dispose of' mean**

Normally it means selling something, but it can also mean giving it away or swapping it for something else. It can also mean getting compensation for an item. Imagine your £8,000 table gets destroyed and the insurance company pays out £12,000. You are deemed to have 'disposed of' the item for a £4,000 profit.

- **What does 'chargeable asset' mean?**

This is where things get complicated. A chargeable asset might include a personal possession worth more than £6,000 (except your car), property that isn't your main home, shares that are not in an ISA or a PEP, plus business assets covering everything from trademarks and your firm's reputation through to machinery and buildings.

Now you know broadly how CGT works in the UK, let's take a look at things in more detail.



What is my CGT allowance?

The Capital Gains Tax allowance is also known as the 'Annual Exempt Amount'. This is the amount of profit you are allowed to make before Capital Gains Tax is applied.

The current CGT allowance (financial year 2022/23) is:

- £12,300
- £6,150 for trusts. This applies when an asset that has gone up in value is taken out of a trust or put in one.

However, CGT allowances are set to change over the next two financial years. For 2023/24, the allowances will be:

- £6,000
- £3,000 for trusts.

For 2024/25, these figures will drop to:

- £3,000
- £1,500 for trusts.

Most people will be concerned about their personal CGT tax-free allowance. Follow the link below to learn more about tax-free allowances for Capital Gains.

[More information on Tax Free Capital Gains](#)



What is the Capital Gains Tax rate?

In a nutshell, if you are a basic rate taxpayer you will pay 18% on gains whereas higher or additional rate taxpayers will pay 24% on gains.

Our Guide to Capital Gains Tax Rates has more detailed information, including CGT rates for trustees.

[THP GUIDE TO CAPITAL GAINS TAX RATES](#)

Do I have to pay CGT when I sell my home?

Normally, no. However, if you have let it out, used it for business or it is very large, then you may have to. See the question on rules for Capital Gains Tax on Property, below.

What are the rules for Capital Gains on property?

We strongly recommend you read our Capital Gains Tax on property guide. It is full of helpful information that helps you to understand why and how CGT on property is different. This includes the special rules for reporting CGT on property. It also tells you about our special three-tier CGT planning and compliance service.

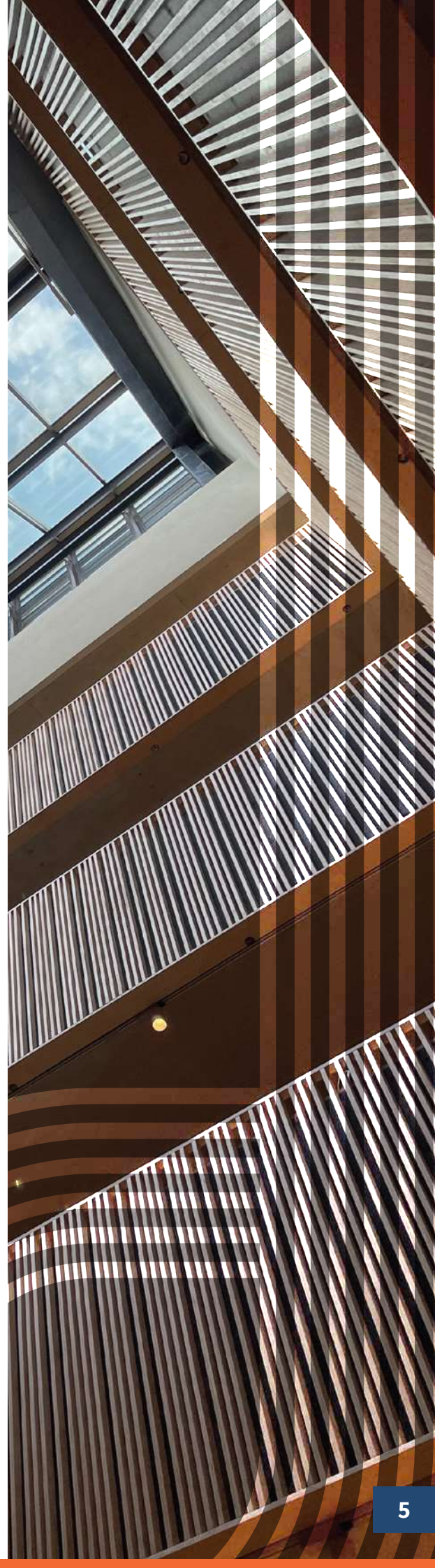
[Guide to CGT on Property](#)

Do I have to pay CGT on a lottery win?

No! And if you've just scooped the jackpot, congratulations.

You don't have to pay CGT on a lottery win or the pools, on Premium Bond prizes, on the sale of your car (usually) or on the sale of government gilts. You can learn about these and other exemptions by following the link below:

[Don't pay CGT!](#)



When do you pay Capital Gains Tax?

If you sell a residential property and have to pay CGT on it, then you need to calculate, report and pay CGT within 60 days. Currently, HMRC's systems are leading people to overpay CGT. This blog post explains why, and how you can [claim back CGT on residential property](#).

For other types of CGT, you can report and pay the tax using HMRC's online Capital Gains Tax service, or you can report and pay it in your Self-Assessment Tax Return the following tax year.

Do I qualify for CGT allowances or reliefs?

There are many different allowances and reliefs that can apply to CGT, ranging from Private Residence Relief to Gift Hold-Over Relief.

For full details of the allowances and reliefs you may qualify for, we recommend you speak to one of our accountants. You can also learn more by visiting the following link:

[CGT allowances and reliefs – what can I claim?](#)

I've overpaid CGT. What do I do?

This is becoming a common problem, due to changes to the way Capital Gains Tax on property is collected. You can find out how to reclaim overpaid CGT by visiting the article below. If you work with one of our accountants, we can help you avoid overpaying CGT in the first place.

[How to reclaim overpaid CGT](#)





Which Capital Gains Tax calculator should I use?

If you need to know which Capital Gains Tax calculator to use, it's best to use the ones published on the Gov.uk website. You can find the relevant CGT calculators by following these links:

- [Property CGT calculator](#)
- [CGT on shares calculator](#)
- [CGT on personal possessions calculator](#)
- [Business CGT calculator](#)

When will Capital Gains Tax increase?

Any increases to CGT are usually announced by the Chancellor in his annual budget or in a spending review. We keep THP clients up to date with any increases. If you would like updates, you can also sign up for our regular newsletter.

I need more help with Capital Gains Tax. What do I do?

If you need more help with CGT, then please get in touch. Our team of specialist accountants can help you make sure that your CGT calculations and returns are accurate and submitted on time. If you are planning on selling a residential property or other asset, please get in touch as soon as you can. This will allow us to take the most effective approach to your tax planning.

A TEAM NEAR YOU

THP is a long-established firm of accountants. With over 40 trained accountancy professionals, we bring you a much wider range of expertise than the average High Street firm.

Better still, with branches in Wanstead, Sutton, Chelmsford and Saffron Walden, we've got specialist team members working near you. Feel free to contact any of our branches to arrange a free initial consultation.

Want to learn more about THP?

You can find out more about us [here](#).

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