

# Capital Gains Tax (CGT)

CGT is a tax on capital 'gains'. If when you sell or give away an asset it has increased in value, you may be taxable on the 'gain' (profit). This doesn't apply when you sell personal belongings worth £6,000 or less or, in most cases, your main home.

## When do I have to pay CGT?

### You may have to pay CGT if, for example, you:

- sell, give away, exchange or otherwise dispose of (cease to own) an asset or part of an asset
- receive money from an asset - for example compensation for a damaged asset

### You don't have to pay CGT on:

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

### These are some points to bear in mind:

- 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
- you can't give assets to your children or others or sell them assets cheaply without having to consider CGT
- if you make a loss you may be able to make a claim for that loss and deduct it from other gains, but only if the asset normally attracts CGT - for example you cannot set a loss on selling your car against gains from disposing of other assets
- 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 worked out

CGT is worked out for each tax year (which runs from 6 April one year to 5 April the following year). It is charged on the total of your taxable gains, after taking into account:

- certain costs and reliefs that can reduce or defer gains
- allowable losses you have made on assets to which normally CGT applies
- the annual exempt (tax-free) amount - this is £9,600 for every individual in the tax year 2008-09 and £10,100 for every individual in 2009-10

## CGT rate

For 2008-09 and 2009-10 there is a single rate of Capital Gains Tax of 18% for individuals, trustees and personal representatives on taxable gains.

## **How you pay CGT**

If you've received a Self Assessment tax return, follow the guidance to decide if you need to fill in the capital gains pages as part of that return. The return tells you how to obtain these pages if you need them.

If you don't usually complete a tax return, but wish to report gains or losses, contact your local Tax Office. If you have CGT to pay you must tell your tax office in writing by 5 October following the tax year. There is a time limit for claiming losses.