

# Your Legal Questions

Stephen Soper  
Partner & Solicitor



## CGT Business Reliefs Part 1

I am often asked about reliefs from Capital Gains Tax ("CGT") available to individuals who own businesses either as sole traders or partners or shareholders and who want to dispose of their interest. Over the next few weeks I will explain the main reliefs available but this week I start by answering the key preliminary question when dealing with CGT.

### **Q. When does a charge to CGT arise?**

A. Where there is a sale at full value of chargeable assets ("a disposal") there may be a charge to CGT insofar as the value of those assets has increased during the period of ownership. The most common examples of chargeable assets are land and buildings, goodwill and company shares. If, rather than selling, the owner wishes to gift the asset to another person there will still be a disposal but the gain will be calculated on the market value of the asset at the point of disposal rather than the sale price.

The steps to calculate the tax due are as follows:-

#### Step 1: Calculate the Gain

Proceeds of disposal

LESS

Costs of disposal = net proceeds of disposal

LESS

Other allowable expenditure such as acquisition costs and subsequent expenditure

#### Step 2: Apply Reliefs

See following articles for a discussion of the main reliefs but remember that if a business owner makes more than one disposal during the tax year the gains must be aggregated before applying reliefs.

#### Step 3: Deduct Annual Exemption

Each individual has a personal CGT allowance which is deducted from any gains which remain after applying available reliefs. This is currently £10,100.

#### Step 4: Apply the Correct Rate of Tax

The CGT rates applicable to individuals from midnight on 22nd June 2010 are 28% for higher rate tax payers and 18% for basic rate tax payers.

*Stephen Soper is a Partner and Solicitor in the Commercial and Property Department of Powells Solicitors*

**Direct dial 01934 637915**

**soper@powellslaw.com**