Capital Gains Tax Workbook: Answers

Question 1

Ten years ago, Henry a buy to let investor purchased a property for £200,000. He incurred costs of £15,000.

It needed extensive remedial works which cost £50,000.

It was sold in October 2023 (Completion date October 1) for £400,000. Sale costs amounted to £40,000.

Henry is a higher rate tax payer. This is his only disposal this year and he has no losses to bring forward

Calculate showing all your workings the amount of CGT that would be payable on this sale and state when this would be paid

Sale price	400,000	
Less sale costs	(40,000)	360,000
Improvements		(50,000)
Purchase Price	£200,000	
Plus costs	15,000	(215,000)
Gain		95,000
Annual Exemption		6,000
Adjusted taxable gain		89,000

Tax due £89,000 @ 28% = £24,920

This must be paid by December 31 2023

Question 2

June sold her holding in ABC OEIC for £43,000 in 2023/2024. Her original investment was £20,000.

In the same tax year she also sold shares in Bad Bank for £5,000 that she had purchased for £12,000.

She has losses from a previous year of £20,000.

Calculate the losses she can carry forward to the next tax year working on the basis that she wants to reduce her CGT liability for the current year to zero.

Sale proceeds ABC OEIC	43,000	
Acquisition price	20,000	
Gain	23,000	23,000
Bad Bank sale	5,000	
Bad Bank purchase	12,000	(7,000)
		16,000
Less annual Exemption		(6,000)
		10,000
Brought forward loss	20,000	
Less £10,000	10,000	(10,000)
Loss carried forward	10,000	0

Question 3

Kate bought a property for £150,000 inclusive of all costs on September 1 2003. She lived in it until September 1 2007 when she went to stay with her mother who had suffered a stroke

Her mother died in 2010 and on March 1 2010 she moved back into her own house. It was unoccupied during this period.

She continued to live there until March 2012 and on the 1 March 2012, as a result of a legacy she purchased and moved into a more central property. She decided to rent out her original house and it was let from March 1 2015 to February 28 2023.

The original house was sold on September 1 2023 for £400,000.

Her taxable income after her personal allowance is £10,000 short of the higher rate threshold

Calculate, showing all your workings, the amount of CGT that is payable

The starting point with PPR relief is to draw up a timeline.

The house was owned for 20 years (240 months)

1 September 2003 to 1 September 2007 (48 months) Exempt as living there.
1 September 2007 to 1 March 2010 (30 months) exempt under 3 year rule
1 March 2010 to 1 March 2012 (24 months) exempt as living there.
1 March 2012 to 1 December 2022 (129 months) non exempt
1 December 2022 to September 1 2023 (9 months) exempt last 9 months rule.

111months exempt
129 months non-exempt

Net sale proceeds	400,000
Net acquisition cost	150,000
	250,000
Less exempt amount	
111/240 x 250,000 =	£115,625
Amount chargeable	£134,375

No lettings relief as she wasn't living in the property

Less Annual Exemption	£6,000
	£128,375

£10,000 @ 18%	1,800
£118,375 @ 28%	33,145
	£30,945

Question 4

Tom is a pensioner with an income of £20,000. He collects antiques as a hobby and in the current tax year he sold the following items:

- **A painting for £15,000 with sale costs of £250. He bought it 10 years ago for £2,000.**
- **A vase sold for £5,800 that he bought for £3,000 12 years ago.**
- **A necklace for £8,400 that he bought for £2,400 six years ago.**

Calculate showing all your workings the CGT that will be payable.

The painting, the vase and the jewellery are chattels so we must check the situation on each

Painting proceeds	15,000
Less sale costs	250
	14,750
Less purchase price	2,000
Gain	12,750

Using the chattels rule gain would be 5/3 of (£15,000 -£6,000) = £15,000 so we use normal calculation. Note if chattel rule is used you cannot deduct sale costs.

Vase was sold for under £6,000 therefore is exempt

Necklace proceeds	8,400
Less purchase price	2,400
Gain	6,000

Using the chattels rule

5/3 of (£8,400 - £6,000)	£4,000

Total gains

Vase	£12,750
Necklace	4,000
Total	16,750
Less annual exemption	6,000
	10,750
£10,750 @ 10%	£1,075

Question 5

Henry bought shares in the same company on the following dates.

	Number of shares	Price
June 2014	**4,000**	**100p**
June 2015	**3,500**	**180p**
June 2016	**2,500**	**200p**
June 2017	**2,000**	**220p**

Part (a)

If he sells 6,000 shares on November 1 2023 for 240p calculate the gain before annual exemption together with the number of shares in the pool after this transaction and their base cost.

"Pooled" acquisition price

	Number of shares	Price	Total
June 2014	4,000	100p	4,000
June 2015	3,500	180p	6,300
June 2016	2,500	200p	5,000
June 2017	2,000	220p	4,400
	12,000		£19,700

Average Price £19,700/12,000 = 164p

Sale proceeds 6,000 shares @ 240p	£14,400
Acquisition cost 6,000@ 164p	9,840
	4,560

Remaining pool 6,000 shares base cost £9,840 (base cost remains 164p)

Part (b)

If the share price then falls he buys 6,000 shares in the same company for 200p calculate the gain, if any, and the base cost of the pool if

- **(i)** **They are bought on December 15**
- **(ii)** **They are bought on November 15**

December 15 The shares were repurchased after 30 days so the shares enter the pool. The gain on the sold shares remains £4,560

The new cost is

6,000 shares @ 164p =	£9,840
6,000 shares @ 200p =	£12,000

12,000 shares purchased for £21,840
New pool price £21,840/12,000 = 182p

November 15

As shares were purchased within 30 days they are matched with the 6,000 shares sold on November 1.

6,000 shares sold @ 164p	£9,840
6,000 shares bought at 200p	£12,000
Loss	(£2,160)

The purchases shares don't enter the pool so the acquisition price remains 164p

Question 6

Stan and Ann separated on July 1 2022. They finalised their divorce on June 1 2023. As part of the settlement Stan is transferring 50% of his total holding of 50,000 units in the XYZ UK share fund. The original acquisition price was 60p a unit

Calculate the taxable gain and state who is responsible for paying the tax if:

- **(i)** **The units are transferred on February 1 2023 and Ann sells them on May 1 2023 for 320p**
- **(ii)** **The shares are transferred on May 1 2023 and Ann sells them immediately for 325p**

February 1

As they were living together at some point in the tax year of separation, inter spousal transfer is available so no tax at transfer but when Ann sells her acquisition price is what Stan paid for them

25,000 @ 320p	£80,000
25,000 @ 60p	£15,000
Gain	£65,000
Less	£6,000
	£59,000

Ann would be liable to pay the tax.

May 1

Although they are still married at the date of transfer they cannot use inter spousal transfer because they were not living together in that tax year

The transfer from Stan is therefore chargeable:

25,000 @ 325p =	£81,250
25,000 @ 60p =	£15,000
	£66,250
Less	£6,000
	£60,250

Stan pays the tax. Ann will not pay any tax as she will have acquired then for 325p

Question 7

Tony was employed and on a salary of £40,000 until he was made redundant on October 1 2023. He was paid on the 25th of each month.

He received £40,000 in redundancy pay and had received £3,000 in Social Security Benefits for the remainder of 2023/24.

In view of this he decides to sell most of his other assets. These consisted of the following:

A portfolio of unit trusts that were acquired for £20,000 and sold for £30,000

A house he was renovating with a view to renting it out. The acquisition price including all costs was £200,000. He has spent £80,000 so far and sold the property for £250,000

A holiday home that had been left to him by his father with a probate value of £300,0000. He received £390,000 after sales costs.

Calculate, showing all your workings his CGT liability in 22/23

Salary (6 months)	£20,000
Taxable redundancy	£10,000
Social Security	£3,000
Total income	£33,000
Less PA	£12,570
	£20,430

Remaining basic rate band £17,270

Loss on Property £250,000 less £80,000 less £200,000 = £30,000
Gain on holiday home £390,000 less £300,000 = £90,000
Gain on unit trusts £10,000

Offset loss on property against property gain £90,000 less £30,000 = £60,000

The property gain can be offset against the annual exemption

Net Gain	£60,000
Less annual exemption	£6,000
	£54,000

Remaining basic rate band must first be offset against non-property gain.

Remaining BRB	£17,270	
Non-property gain	£10,000 @ 10% =	£1,000
Balance of BRB	£7,270 @ 18%	£1,308.60
Remainder of property Gain in higher rate	£40,430 @ 28%	£11,320.04
		£13,628.64

Question 8

Harry and Sally bought their house on June 1 2008 on a joint tenancy basis. The price taking account of costs was £200,000.

In 2013 Harry died and on June 1 2018 Sally decided to let out two rooms through Airbnb to supplement her income. The let rooms comprised 20% of the property.

She continued to live in the house and had regular lettings until she decided to sell the house. This was completed in June 1 2023. The proceeds after costs were £500,000.

Her pension income is £25,000

Calculate her CGT liability.

Disposal proceeds	£500,000
Acquisition cost	£200,000
Net proceeds	£300,000

20% does not get PPR so chargeable gain is £60,000

However, she qualifies for Lettings Relief

- PPR relief is £240,000
- Gain due to lettings 1/6/18 to 1/6/23 (60 months)
- 60/180 x £300,000 = £100,000
- Lettings relief is £40,000 as lowest of the three calculations

Chargeable gain	£60,000
Less lettings relief	£40,000
Gain	£20,000
Less annual exemption	£6,000
Taxable gain	£14,000

Tax due £14,000 @ 18%	£2,520