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# Capital Gains Tax

## 1. Overview

Capital Gains Tax is a tax on the profit when you sell (or 'dispose of') something (an 'asset') that's increased in value.

It's the gain you make that's taxed, not the amount of money you receive.

**Example** You bought a painting for £5,000 and sold it later for £25,000. This means you made a gain of £20,000 (£25,000 minus £5,000).

Some assets are tax-free (https://www.gov.uk/capital-gains-tax/what-you-pay-it-on). You also don't have to pay Capital Gains Tax if all your gains in a year are under your tax-free allowance (https://www.gov.uk/capital-gains-tax/allowances).

### Disposing of an asset

Disposing of an asset includes:

- selling it
- giving it away as a gift (https://www.gov.uk/capital-gains-tax/gifts), or transferring it to someone else
- swapping it for something else
- getting compensation for it - like an insurance payout if it's been lost or destroyed

## 2. What you pay it on

You pay Capital Gains Tax on the gain when you sell (or 'dispose of (https://www.gov.uk/capital-gains-tax/overview)'):

- most personal possessions (https://www.gov.uk/capital-gains-tax-personal-possessions/) worth £6,000 or more, apart from your car
- property (https://www.gov.uk/tax-sell-property) that isn't your main home
- your main home if you've let it out, used it for business or it's very large (https://www.gov.uk/tax-sell-home)
- shares (https://www.gov.uk/tax-sell-shares) that aren't in an ISA or PEP
- business assets (https://www.gov.uk/capital-gains-tax-businesses)

These are known as 'chargeable assets'.

Depending on the asset, you may be able to reduce any tax you pay by claiming a relief.

If you dispose of an asset you jointly own with someone else, you have to pay Capital Gains Tax on your share of the gain.

## When you don't pay it

You only have to pay Capital Gains Tax on your total gains above an annual tax-free allowance (https://www.gov.uk/capital-gains-tax/allowances).

You don't usually pay tax on gifts (https://www.gov.uk/capital-gains-tax/gifts) to your husband, wife, civil partner or a charity.

### What you don't pay it on

You don't pay Capital Gains Tax on certain assets, including any gains you make from:

- ISAs or PEPs
- UK government gilts and Premium Bonds
- betting, lottery or pools winnings

### When someone dies

When you inherit an asset, Inheritance Tax (https://www.gov.uk/inheritance-tax) is usually paid by the estate of the person who's died. You only have to work out if you need to pay (https://www.gov.uk/capital-gains-tax/work-out-need-to-pay) Capital Gains Tax if you later dispose of (https://www.gov.uk/capital-gains-tax/overview) the asset.

## Overseas assets

You may have to pay Capital Gains Tax even if your asset is overseas.

There are special rules (https://www.gov.uk/government/publications/residence-domicile-and-remittance-basis-rules-uk-tax-liability) if you're a UK resident but not 'domiciled (https://www.gov.uk/tax-foreign-income/non-domiciled-residents)' and claim the 'remittance basis'.

## If you're abroad

You have to pay tax on gains you make on residential property in the UK (https://www.gov.uk/capital-gains-tax-for-non-residents-uk-residential-property) even if you're non-resident for tax purposes (https://www.gov.uk/tax-foreign-income/residence). You don't pay Capital Gains Tax on other UK assets, eg shares in UK companies, unless you return to the UK (https://www.gov.uk/tax-return-uk) within 5 years of leaving.

# 3. Capital Gains Tax allowances

You only have to pay Capital Gains Tax on your overall gains above your tax-free allowance (called the Annual Exempt Amount).

The tax-free allowance is:

- £11,300
- £5,650 for trusts (https://www.gov.uk/trusts-taxes/trusts-and-capital-gains-tax)

You can see tax-free allowances for previous years (https://www.gov.uk/government/publications/rates-and-allowances-capital-gains-tax/capital-gains-tax-rates-and-annual-tax-free-allowances#tax-free-allowances-for-capital-gains-tax).

You may also be able to reduce your tax bill by deducting losses (https://www.gov.uk/capital-gains-tax/losses) or claiming reliefs - this depends on the asset (https://www.gov.uk/capital-gains-tax/what-you-pay-it-on).

# 4. Gifts to your spouse or charity

There are special rules for Capital Gains Tax on gifts or assets you dispose of (https://www.gov.uk/capital-gains-tax/overview) to:

- your spouse or civil partner
- charity

The normal rules (https://www.gov.uk/capital-gains-tax/what-you-pay-it-on) apply for gifts to others.

## Your spouse or civil partner

You don't pay Capital Gains Tax on assets you give or sell to your husband, wife or civil partner, unless:

- you separated and didn't live together (https://www.gov.uk/money-property-when-relationship-ends/tax) at all in that tax year
- you gave them goods for their business to sell on

The tax year is from 6 April to 5 April the following year.

### If they later sell the asset

Your spouse or civil partner may have to pay tax on any gain if they later dispose of (https://www.gov.uk/capital-gains-tax/overview) the asset.

Their gain or loss will be calculated from when you or they first owned it.

If this was before April 1982, your spouse or civil partner should work out their gain using the market value (https://www.gov.uk/capital-gains-tax/market-value) on 31 March 1982 instead.

They should keep a record of what you paid for the asset (https://www.gov.uk/capital-gains-tax/records).

## Gifts to charity

You don't have to pay Capital Gains Tax on assets you give away to charity.

You may have to pay if you sell an asset to charity for both:

- more than you paid for it
- less than market value (https://www.gov.uk/capital-gains-tax/market-value)

Work out your gain using the amount the charity actually pays you, rather than the value of the asset.

# 5. Work out if you need to pay

You need to pay Capital Gains Tax when you sell an asset (https://www.gov.uk/capital-gains-tax/what-you-pay-it-on) if your total taxable gains are above your annual Capital Gains Tax allowance (https://www.gov.uk/capital-gains-tax/allowances).

## Work out your total taxable gains

1. Work out the gain for each asset (or your share of an asset if it's jointly owned). Do this for the personal possessions (https://www.gov.uk/capital-gains-tax-personal-possessions/work-out-your-gain), shares (https://www.gov.uk/tax-sell-shares/work-out-your-gain), property (https://www.gov.uk/tax-sell-property/work-out-your-gain) or business assets (https://www.gov.uk/capital-gains-tax-businesses/work-out-your-gain) you've disposed of in the tax year.
2. Add together the gains from each asset.
3. Deduct any allowable losses (https://www.gov.uk/capital-gains-tax/losses).

The tax year runs from 6 April to 5 April the following year.

You'll need to report and pay Capital Gains Tax (https://www.gov.uk/capital-gains-tax/report-and-pay-capital-gains-tax) if your taxable gains are above your allowance.

## If your total gains are less than the tax-free allowance

You don't have to pay tax if your total taxable gains are under your Capital Gains Tax allowance (https://www.gov.uk/capital-gains-tax/allowances).

There are different rules for reporting a loss (https://www.gov.uk/capital-gains-tax/losses).

Even if your gains are below the tax-free allowance, tell HM Revenue and Customs (HMRC) if:

- you disposed of (https://www.gov.uk/capital-gains-tax/overview) chargeable assets with an overall worth of more than 4 times the Capital Gains Tax allowance - this works out as £45,200 for the 2017 to 2018 tax year but was less for previous years (https://www.gov.uk/government/publications/rates-and-allowances-capital-gains-tax/capital-gains-tax-rates-and-annual-tax-free-allowances#tax-free-allowances-for-capital-gains-tax)
- you have losses that you want to claim

Report this in your tax return. If you're not registered for Self Assessment, you can write to HMRC (https://www.gov.uk/government/organisations/hm-revenue-customs/contact/capital-gains-tax-enquiries-for-individuals-employees-and-self-employed) instead.

## If you don't have anything to report

If you're not registered for Self Assessment you don't need to do anything.

If you're registered for Self Assessment you must still fill in the capital gains section of your tax return. To do this:

1. Confirm that you need to complete the capital gains section in 'Tailor your return'.
2. In the 'Details of chargeable assets…' page select 'No' for each question - you won't need to report anything else about your capital gains or losses.

Send your tax return by the usual deadlines for Self Assessment (https://www.gov.uk/self-assessment-tax-returns/deadlines).

### If you're non-resident

You need to tell HMRC (https://www.gov.uk/capital-gains-tax-for-non-residents-uk-residential-property#CGT-report-pay) when you sell residential property even if your gain is below the tax-free allowance or you make a loss. Non-residents don't pay tax on other capital gains.

## 6. Report and pay Capital Gains Tax

You can report any Capital Gains Tax (https://www.gov.uk/capital-gains-tax/work-out-need-to-pay) you need to pay either:

- straight away using the 'real time' Capital Gains Tax service
- annually in a Self Assessment tax return

> If you use the 'real time' service but need to send a tax return for another reason (https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return), you'll have to report your gains again through Self Assessment.

If you're a non-resident and you've sold a residential property in the UK, tell HM Revenue and Customs (HMRC) (https://www.gov.uk/capital-gains-tax-for-non-residents-uk-residential-property#CGT-report-pay) within 30 days, even if you have no tax to pay.

### Before you report

You'll need:

- calculations for each capital gain or loss you report
- information from your records (https://www.gov.uk/capital-gains-tax/records) about the costs and what you received (the 'proceeds') for each asset
- any other relevant details, such as any reliefs you're entitled to

### Report your gain and pay straight away

You can use the 'real time' Capital Gains Tax service (https://www.tax.service.gov.uk/forms/form/capital-gains-tax-real-time-transaction-return/new) if you're a UK resident. You'll need a Government Gateway account - you can set one up from the sign-in page.

When you use the service you'll need to upload PDF or JPG files showing how your capital gains and Capital Gains Tax were calculated.

#### When to report

You can use this service as soon as you've calculated your gains and the tax you owe. You don't need to wait until the end of the tax year.

You must report by 31 January after the tax year when you had the gains.

The tax year runs from 6 April to 5 April the following year.

After you've reported your gains, HMRC will send you a letter or email giving you a payment reference number and telling you ways to pay.

## Report in a Self Assessment tax return

Use Self Assessment (https://www.gov.uk/self-assessment-tax-returns/) to report your gain in the tax year after you disposed of assets.

If you don't usually send a tax return, register for Self Assessment (https://online.hmrc.gov.uk/shortforms/form/SA1) by 5 October following the tax year you disposed of (https://www.gov.uk/capital-gains-tax/overview) your chargeable assets.

If you're already registered but haven't received a letter reminding you to fill in a return, contact HMRC (https://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment) by 5 October.

You must send your return by 31 January (31 October if you send paper forms).

You can get help (https://www.gov.uk/tax-help) with your tax return from an accountant or tax adviser.

### After you've sent your tax return

HMRC will tell you how much you owe. The Capital Gains Tax rate (https://www.gov.uk/capital-gains-tax/work-out-your-capital-gains-tax-rate) you pay depends on your Income Tax rate.

You'll need to pay your tax bill (https://www.gov.uk/pay-self-assessment-tax-bill) by the deadline (https://www.gov.uk/self-assessment-tax-returns/deadlines).

**You'll have to pay a penalty (https://www.gov.uk/self-assessment-tax-returns/penalties) if you send your tax return late, miss the payment deadline or send an inaccurate return.**

# 7. Capital Gains Tax rates

You pay a different rate of tax on gains from residential property than you do on other assets.

You don't usually pay tax when you sell your home (https://www.gov.uk/tax-sell-home).

## If you pay higher rate Income Tax

If you're a higher or additional rate taxpayer (https://www.gov.uk/income-tax-rates) you'll pay:

- 28% on your gains from residential property
- 20% on your gains from other chargeable assets

## If you pay basic rate Income Tax

If you're a basic rate taxpayer (https://www.gov.uk/income-tax-rates), the rate you pay depends on the size of your gain, your taxable income and whether your gain is from residential property or other assets.

1. Work out how much taxable income (https://www.gov.uk/income-tax) you have - this is your income minus your Personal Allowance (https://www.gov.uk/income-tax-rates/personal-allowances) and any other Income Tax reliefs (https://www.gov.uk/income-tax-reliefs) you're entitled to.

2. Work out your total taxable gains (https://www.gov.uk/capital-gains-tax/work-out-need-to-pay).
3. Deduct your tax-free allowance (https://www.gov.uk/capital-gains-tax/allowances) from your total taxable gains.
4. Add this amount to your taxable income.
5. If this amount is within the basic Income Tax band (https://www.gov.uk/income-tax-rates) you'll pay 10% on your gains (or 18% on residential property). You'll pay 20% (or 28% on residential property) on any amount above this.

**Example**

Your taxable income (your income minus your Personal Allowance and any Income Tax reliefs) is £20,000 and your taxable gains are £12,300. Your gains aren't from residential property.

First, deduct the tax-free allowance from your taxable gain. For the 2017 to 2018 tax year the allowance is £11,300, which leaves £1,000 to pay tax on.

Add this to your taxable income. Because the combined amount of £21,000 is less than £33,500 (the basic rate band for the 2017 to 2018 tax year), you pay Capital Gains Tax at 10%.

This means you'll pay £100 in Capital Gains Tax.

### If you have gains from both residential property and other assets

You can use your tax-free allowance against the gains that would be charged at the highest rates (for example where you would pay 28% tax).

## If you're a trustee or business

Trustees (https://www.gov.uk/trusts-taxes/trusts-and-capital-gains-tax) or personal representatives of someone who's died pay:

- 28% on residential property
- 20% on other chargeable assets

You'll pay 10% if you're a sole trader or partnership and your gains qualify for Entrepreneurs' Relief (https://www.gov.uk/entrepreneurs-relief).

# 8. If you make a loss

You can report losses on a chargeable asset (https://www.gov.uk/capital-gains-tax/what-you-pay-it-on) to HM Revenue and Customs (HMRC) to reduce your total taxable gains (https://www.gov.uk/capital-gains-tax/work-out-need-to-pay).

> Losses used in this way are called 'allowable losses'.

## Using losses to reduce your gain

When you report a loss, the amount is deducted from the gains you made in the same tax year.

If your total taxable gain is still above the tax-free allowance (https://www.gov.uk/capital-gains-tax/allowances), you can deduct unused losses from previous tax years. If they reduce your gain to the tax-free allowance, you can carry forward the remaining losses to a future tax year.

## Reporting losses

Claim for your loss by including it on your tax return. If you've never made a gain and aren't registered for Self Assessment, you can write to HMRC (https://www.gov.uk/government/organisations/hm-revenue-customs/contact/capital-gains-tax-enquiries-for-individuals-employees-and-self-employed) instead.

You don't have to report losses straight away - you can claim up to 4 years after the end of the tax year that you disposed of (https://www.gov.uk/capital-gains-tax/overview) the asset.

> There's an exception for losses made before 5 April 1996, which you can still claim for. You must deduct these after any more recent losses.

## Losses when disposing of assets to family and others

### Your husband, wife or civil partner

You usually don't pay Capital Gains Tax on assets you give or sell to your spouse or civil partner (https://www.gov.uk/capital-gains-tax/gifts). You can't claim losses against these assets.

### Other family members and 'connected people'

You can't deduct a loss from giving, selling or disposing of an asset to a family member unless you're offsetting a gain from the same person.

This also applies to 'connected people' like business partners.

### Connected people

HMRC defines connected people as including:

- your brothers, sisters, parents, grandparents, children and grandchildren, and their husbands, wives or civil partners
- the brothers, sisters, parents, grandparents, children and grandchildren of your husband, wife or civil partner - and their husbands, wives or civil partners
- business partners
- a company you control
- trustees where you're the 'settlor (https://www.gov.uk/trusts-taxes/)' (or someone connected to you is)

## Claiming for an asset that's lost its value

You can claim losses on assets that you still own if they become worthless or of 'negligible value'.

HMRC has guidance on how to make a negligible value claim (https://www.gov.uk/government/publications/negligible-value-claims-and-income-tax-losses-on-disposals-of-shares-you-have-subscribed-for-in-qualifying-trading-companies-hs286-self-assessment-he).

## Special rules

HMRC has guidance on the special rules for losses:

- when someone dies (https://www.gov.uk/government/publications/death-personal-representatives-and-legatees-hs282-self-assessment-helpsheet)
- if you're non-resident and sell UK residential property (https://www.gov.uk/capital-gains-tax-for-non-residents-uk-residential-property)
- if you've temporarily lived abroad as a 'non-resident (https://www.gov.uk/government/publications/temporary-non-residents-and-capital-gains-tax-hs278-self-assessment-helpsheet)'
- from your income on shares that are unquoted (https://www.gov.uk/government/publications/negligible-value-claims-and-income-tax-losses-on-disposals-of-shares-you-have-subscribed-for-in-qualifying-trading-companies-hs286-self-assessment-he) or in the Enterprise Investment Scheme (https://www.gov.uk/government/publications/enterprise-investment-scheme-and-capital-gains-tax-hs297-self-assessment-helpsheet)
- on overseas assets if you're 'non-domiciled' in the UK and have claimed the 'remittance basis' (https://www.gov.uk/government/publications/residence-domicile-and-remittance-basis-rules-uk-tax-liability)

# 9. Record keeping

You need to collect records to work out your gains and fill in your tax return. You must keep them for at least a year after the Self Assessment deadline (https://www.gov.uk/self-assessment-tax-returns/deadlines).

You'll need to keep records for longer if you sent your tax return late or HM Revenue and Customs (HMRC) have started a check into your return.

Businesses must keep records for 5 years after the deadline.

## Records you'll need

Keep receipts, bills and invoices that show the date and the amount:

- you paid for an asset
- of any additional costs like fees for professional advice, Stamp Duty, improvement costs, or to establish the market value (https://www.gov.uk/capital-gains-tax/market-value)
- you received for the asset - including things like payments you get later in instalments, or compensation if the asset was damaged

Also keep any contracts for buying and selling the asset (for example from solicitors or stockbrokers) and copies of any valuations.

## If you don't have records

You must try to recreate your records if you can't replace them after they've been lost, stolen or destroyed.

If you fill in your tax return using recreated records, you'll need to show where figures are:

- estimated - that you want HMRC to accept as final
- provisional - that you'll update later with the actual figures

# 10. Market value

Your gain is usually the difference between what you paid for your asset and what you sold it for.

There are some situations where you use the market value instead.

| Situation | Use market value at |
|---|---|
| Gifts | Date of gift |
| Assets sold for less than they were worth to help the buyer | Date of sale |
| Inherited assets where you don’t know the Inheritance Tax value (https://www.gov.uk/valuing-estate-of-someone-who-died) | Date of death |
| Assets owned before April 1982 | 31 March 1982 |

## Checking the market value

HM Revenue and Customs (HMRC) can check your valuation.

After you’ve disposed of the asset, complete a ‘Post-transaction valuation check (https://www.gov.uk/government/publications/sav-post-transaction-valuation-checks-for-capital-gains-cg34)’ form. Return it to the address on the form - allow at least 2 months for HMRC’s response.