

Capital Gains Tax Business Taper Relief Example – upto April 2008

The Capital Gains Tax (CGT) annual exemption for the tax year 2007/08 is £9,200 per person.

When a business asset is sold a gain may be made at disposal. Business assets attract a maximum of 75% taper relief after 2 years, leaving 25% subject to CGT

Excellent worked examples can be found at

<http://www.hmrc.gov.uk/helpsheets/ir279.pdf>

Details that are required to do the calculation are

- Cost of acquisition
- Proceeds of the sale
- Period the asset has been held
- Number of partners if a partnership

Example

Sale Proceed		£120,000	
Asset Costs			
Goodwill	£10,000		
Property	£50,000		
Fittings	£10,000	<u>(£70,000)</u>	
Gain		<u>£50,000</u>	
Property sold after 5 years			
CGT chargeable (25%)		£12,500	
Annual Exemption		<u>(£9,200)</u>	2006/7
Amount Liable to CGT		<u>£3,300</u>	

If there are 2 or more partners then the CGT chargeable is further split by the number of partners, which in this case would give £6250 each, which is within the annual exemption.

Taper Relief Table

Period asset has been held since 6 th April 2003 (complete years)	Business Assets Percentage of gain chargeable
0-1	0%
1	50%
2 or more	25%