

Taper relief

Contacts

Please phone:

- the number printed on page TR 1 of your Return
 - the Helpline on **0845 9000 444**
 - the Orderline on **0845 9000 404** for Help Sheets
- or go to www.hmrc.gov.uk

This Help Sheet explains how taper relief affects the way in which you calculate chargeable gains. But it is only an introduction. If you are in any doubt ask your tax adviser. We will also be pleased to help. You can also consult our Capital Gains Manual which explains the rules in more detail, at www.hmrc.gov.uk

This Help Sheet will help you fill in the *Capital Gains Summary* pages of your Tax Return for 2007-08. Help Sheets explaining the rules for taper relief in earlier years are available on our website.

Taper relief may affect the calculation of gains chargeable to Capital Gains Tax for the year 2007-08. Gains on 'business assets' (see page 5 of this Help Sheet) are tapered where the asset has been held for a whole year or more before disposal. Gains on 'non-business assets' are only tapered where the asset has been held for at least 3 years before disposal.

What is taper relief?

Taper relief applies to disposals from 6 April 1998.

For individuals, trustees of a settlement and a deceased individual's personal representatives, taper relief ensures that a reducing percentage of a gain is chargeable to tax, according to the number of whole years the asset has been held from 6 April 1998. The greater the number of years you have held the asset from 6 April 1998, the smaller the percentage of the gain which is chargeable to tax. The rate of taper depends on whether the asset is a business asset or a non-business asset.

The percentage of gain that remains chargeable for business and non-business assets disposed of on or after 6 April 2006, depends on the number of whole years in the *qualifying holding period* and is set out in the following tables:

Gains on business assets	
Number of whole years in qualifying period	Percentage of chargeable gains
1	50
2 or more	25

Gains on non-business assets	
Number of whole years in qualifying period	Percentage of chargeable gains
1	100
2	100
3	95
4	90
5	85
6	80
7	75
8	70
9	65
10 or more	60

Any losses you make are not tapered. Instead, your losses are simply set-off against chargeable gains before taper in such a way as to maximise the benefit of taper relief. Examples 14 to 17 in this Help Sheet explain how losses are relieved.

What is meant by 'qualifying holding period'?

This is the period between 6 April 1998, or, if later, the date you first acquired the asset in question and the date that you disposed of it. For assets acquired before 6 April 1998 you only count the holding period from that date.

What is a whole year for taper relief?

A whole year is any continuous period of 12 months. Fractions of a year are ignored. An asset which you dispose of on an anniversary of its acquisition is accepted as having been held for a whole year.

A whole year does not have to coincide with a tax year, although it will do so for assets acquired prior to 6 April 1998, because only the holding period from that date is counted. For an asset acquired or held on 6 April 1998 the anniversaries for taper relief occur on 6 April in each following year of ownership.

Bonus year for assets acquired before 17 March 1998

Non-business assets which you acquired before 17 March 1998 and which you disposed of during 2007-08 qualify for an additional one year in the qualifying holding period. You should add one year to the period for which any such asset was actually held from 6 April 1998 to establish its qualifying holding period.

Where there is the disposal of such an asset in 2007-08 the addition of the bonus year means that 60% of the gain is chargeable.

Examples of qualifying holding periods

Example 1

You acquire a non-business asset on 25 March 1998 and sell it on 30 March 2008. You have owned the asset for 9 years and 359 days (it is only the period from 6 April 1998 that counts). As there are 9 whole years in the qualifying holding period 65% of your gain will be chargeable to Capital Gains Tax. If you had acquired the asset before 17 March 1998 the bonus year would have been due and 60% of your gain would have been chargeable to Capital Gains Tax.

Example 2

You acquire a business asset on 1 July 2000 and sell it on 31 July 2007. You have owned the asset for 7 years and 30 days. Your qualifying holding period will therefore include 7 full years. The percentage of gain chargeable for a business asset held for two years or more is 25%.

Example 3

You acquire a business asset on 6 April 1995 and sell it on 5 March 2008. You have owned the asset for 9 years and 334 days from 6 April 1998. Your qualifying holding period will therefore include 9 whole years. (There is no bonus year for business assets disposed of after 5 April 2000.) The percentage of gain chargeable for a business asset held for two years or more is 25%.

Variations to the length of the qualifying period

If any of the following apply, the length of your qualifying holding period may be varied:

- where you acquire an asset at no gain/no loss from your spouse or civil partner, or vice versa, the qualifying holding period includes the period during which your spouse or civil partner held the asset; see the section 'Transfers between spouses or between civil partners' on page 5

- where you acquire an asset by the exercise of an option (except in the case of shares within the Enterprise Management Incentives, see Help Sheet 287 *Employee share schemes and Capital Gains Tax*) the qualifying holding period for the asset is determined by reference to the exercise of the option and not by reference to the grant or acquisition of the option

Example 4

In July 1996 you are granted an option to acquire a piece of land. In November 1998 you exercise the option and acquire the land. You sell the land in March 2008 and make a chargeable gain.

Your qualifying holding period begins in November 1998.

- where assets have merged or divided and the asset that you dispose of derives some part of its value from an earlier asset in your ownership the qualifying holding period may be extended

Example 5

You acquire a lease of land on 8 January 1995. You acquire the freehold of the same land on 4 February 2000. The lease is extinguished by merger with the freehold. You dispose of the freehold on 31 March 2008.

As the value of the freehold is derived to some extent from the extinguished lease your qualifying holding period begins on 6 April 1998 and you have 9 whole years between that date and the date of disposal. In addition, if this is a non-business asset, you are treated as having acquired the asset before 17 March 1998 and you qualify for the bonus year.

- where a gain would have accrued on a disposal or other event but is postponed to accrue on the happening of a later event the qualifying holding period is determined by reference to the date of the earlier disposal or event and not by reference to the time of accrual. You will also need to calculate the rate of taper according to the rate shown in the taper table applying at the time of the earlier disposal or event, where that earlier disposal or event takes place on or after 6 April 1998. Taper relief is not due on disposals before then

Example 6

In September 1993 you acquire a holding of shares in XYZ Ltd. On 1 January 1996 the company is taken over by ABC plc. You receive a loan note from ABC plc in exchange for your shares in XYZ Ltd. The loan note is a qualifying corporate bond. On 31 December 2007 the loan note is redeemed by ABC plc.

Under the rules for company takeovers (see Help Sheet 285 *Share reorganisations, company take-overs and Capital Gains Tax*), you calculate the gain which would have arisen if the shares had been sold at their market value immediately before the take-over. That gain does not come into charge at that time, but is postponed until you dispose of the loan note in December 2007. But for taper purposes you have no qualifying holding period because you swapped your shares for the loan note before 6 April 1998. If you had swapped your shares on, say, 1 June 2000 your qualifying holding period would have ended on 1 June 2000, which is the date when your deferred gain would have been calculated, using the taper relief tables applying for 2000-01.

- where you acquire shares from the reconstruction of a mutual business the qualifying holding period cannot begin earlier than the date of issue of the shares

Example 7

In 1992 you open a share account with a building society. On 1 June 2007 the society converts into a company and you receive shares in the new company. You sell the shares later that month.

Your qualifying holding period begins on 1 June 2007 when the new company shares are issued to you.

- where you defer the whole or part of a chargeable gain under the Enterprise Investment Scheme deferral relief which arises to you on the disposal of shares to which deferral relief or Income Tax relief (or both) is attributable, a longer qualifying holding period may be available, go to www.hmrc.gov.uk

Anti-avoidance rules apply where:

- you have entered into a transaction relating to an asset that you own, and the transaction limits your exposure to fluctuations in its value, or
- you hold shares in a close company which changes its activities, or
- you hold shares in a close company and, without disposing of them, enter into a transaction that affects their value.

In each of these cases taper relief is denied or reduced.

If you think any of the above variations or the anti-avoidance rules apply to you, or you are unsure whether they apply, ask us or your tax adviser for advice.

How is enhancement expenditure treated for taper purposes?

Where expenditure is made to enhance the value of an asset, the date of the enhancement expenditure is not relevant for the purposes of taper relief. Taper relief is given on the whole gain by reference to the qualifying holding period.

How are rights issues, bonus issues and stock dividends treated for taper purposes?

You may have acquired shares or securities in a company under a rights or bonus issue. Under a rights issue shareholders have to pay for the new shares. Under a bonus issue (sometimes described as a capitalisation issue) the new shares or securities are issued free. For Capital Gains Tax purposes both these types of issues are treated as a reorganisation of a company's share capital and not a new acquisition of shares. Your qualifying holding period for taper relief purposes begins on the date of acquisition of the original shares or securities to which the rights or bonus issue relates and not the date that the new shares are issued. Where the original shares or securities have been acquired on different dates the new shares will need to be apportioned to the respective acquisitions on a pro rata basis.

Example 8

You buy 1,000 shares in a company on 20 April 2007. On 13 November 2007 you buy another 500 shares in the same company. On 1 March 2008 the company makes a bonus issue of one extra share for every 10 held. You are treated as acquiring 1,100 shares on 20 April 2007 and 550 shares on 13 November 2007.

Transfers between spouses or between civil partners

A stock dividend is a dividend paid by a company in the form of additional shares as an alternative to a cash dividend. Shares or securities acquired in this way from 6 April 1998 are treated as a new acquisition. The qualifying holding period for taper relief purposes therefore commences on the date you acquire the stock dividend shares or securities.

Where you dispose of an asset which has been transferred to you by your spouse or civil partner your qualifying holding period for taper relief purposes is the combined period of ownership of both of you from 6 April 1998. For disposals of assets from 6 April 2000, the bonus year is only available for non-business assets.

Example 7

In 1992 you open a share account with a building society. On 1 June 2007 the society converts into a company and you receive shares in the new company. You sell the shares later that month.

Your qualifying holding period begins on 1 June 2007 when the new company shares are issued to you.

Shares acquired through employee share schemes

Details of how taper relief is calculated for shares acquired through employee share schemes can be found in Help Sheet 287 *Employee share schemes and Capital Gains Tax*.

What is a business asset?

There are different definitions of business asset depending on whether you are disposing of the asset as an individual, a trustee of a settlement or the personal representative of a deceased individual, and whether or not you are considering periods of ownership before or from 6 April 2000 or from 6 April 2004.

From 6 April 2004, if you are an individual, the trustees of a settlement or the personal representatives of a deceased person, a business asset will include any asset (other than shares or securities) which is used for the purposes of a trade, profession or vocation carried on by:

- any individual, the trustees of any settlement, the personal representatives of any deceased person
- any person who is a trustee or a personal representative, and acting in that capacity
- a company which is a qualifying company by reference to you, or
- a partnership whose members include any of the above.

If you are an individual the following are also business assets:

- any time before 6 April 2004, an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by you (either alone or in partnership) or by a company which is a qualifying company by reference to you
- any time before 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a trading employer to which you were required to devote substantially the whole of your time
- from 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a person carrying on a trade (the substantial time requirement no longer being relevant)
- shares or securities in a company which is a qualifying company by reference to you.

If you are the trustees of a settlement the following are also business assets:

- an asset (other than shares or securities) which is used for the purposes of a trade carried on by a company which is a qualifying company by reference to an eligible beneficiary
- any time before 6 April 2004, an asset (other than shares or securities) used for the purposes of a trade, profession or vocation carried on either by an eligible beneficiary (either alone or in partnership), by the trustees or by a company which is a qualifying company by reference to the trustees
- from 6 April 2000, an asset (other than shares or securities) which is used for the purposes of a trade, profession or vocation carried on by a partnership of which the trustees or any of their number (acting in the capacity as trustee), are a member
- any time before 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a trading employer to which an eligible beneficiary is required to devote substantially the whole of their time
- from 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment by an eligible beneficiary with a person carrying on a trade
- shares or securities in a company which is a qualifying company by reference to the trustees.

If you are the personal representatives of a deceased person the following are also business assets:

- any time before 6 April 2004, an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by the personal representatives or by a company which is a qualifying company by reference to the personal representatives
- shares or securities in a company which is a qualifying company by reference to the personal representatives.

What is a trade?

A trade is anything which is a trade for Income Tax purposes and includes self-employed professions or vocations. It must also be conducted on a commercial basis and with a view to the realisation of profits. Trade does not include a property letting business except where it is a business of furnished holiday lettings in the UK. See page UKPN 2 in the *UK property notes*.

What is a qualifying company?

Before 6 April 2000

A qualifying company is a trading company (or the holding company of a trading group) in which you, whether as an individual, as a trustee of a settlement or as a personal representative of a deceased individual, hold shares which entitle you to exercise at least 25% of the voting rights in that company.

If you are an individual or trustee of a settlement, a qualifying company may also be a company in which you hold shares which entitle you to exercise at least 5% of the voting rights in the company and you as an individual, or an eligible beneficiary of the settlement as the case may be, are a full-time working officer or employee of that company (or group).

A full-time working officer or employee of a company is an individual or eligible beneficiary who:

- is an officer or employee of that company or that company and one or more other companies connected with it, and

- is required to devote substantially the whole of his or her time to the service of the company or service of those companies taken together.

We take 'devote substantially the whole of his or her time' to mean at least 75% of normal working hours.

From 6 April 2000

If you are an individual or a trustee of a settlement or an individual's personal representative, a company is a qualifying company where it is a trading company or the holding company of a trading group and any of the following are met:

- the company is unlisted
- you, the trustees or the personal representatives can exercise at least 5% of the voting rights in the company
- you or an eligible beneficiary are an officer or employee of the company or of a company connected with the one in which you or the trustees hold shares.

Where the company is not a trading company or the holding company of a trading group, if you are an individual, a company will be a qualifying company at any time from 6 April 2000 when:

- you were an officer or employee of the company or of one or more companies connected with it, and
- you did not have a material interest in the company or a company which at that time controlled that company.

If you are a trustee, a company will be a qualifying company by reference to the trustees of a settlement when:

- an eligible beneficiary was an officer or employee of the company or one or more companies connected with it, and
- the trustees did not have a material interest in the company or in a company which at that time controlled that company.

An eligible beneficiary is a person who at any given time has an interest in possession in the whole of the settled property of the settlement, or in part of it which consists of or includes the shares or the asset in question.

An unlisted company is one where none of its shares are listed on a recognised stock exchange and it is not a 51% subsidiary of a company whose shares, or any class of whose shares, are so listed. A recognised stock exchange includes the London Stock Exchange and any stock exchange outside the UK approved by order of the Commissioners for HM Revenue & Customs.

A current list of recognised stock exchanges may be obtained from:

HM Revenue & Customs (CT & VAT)
100 Parliament Street
London
SW1A 2BQ.

This information is also available on our website. Shares traded on the Alternative Investment Market (AIM) of the London Stock Exchange are treated as unlisted.

An individual or the trustees will have a material interest when they have:

- more than 10% of any class of share or security in the company
- more than 10% of the voting rights in the company
- rights to more than 10% of the income of the company
- rights to more than 10% of the company's assets if the company is wound up.

You should also add in any shares or rights you do not have at the moment but you are entitled to acquire in the future, whether by options, conditional contracts or other means. When working out if you have a material interest, you

have to add in the interests of people who are connected with you or the trustees of a settlement. Who is a connected person is explained in the *Capital Gains Summary notes* on page CGN 5.

What if an asset has been used only partly as a business asset or for only part of the time as a business asset?

Where an asset has been used partly as a business asset and partly as a non-business asset at some time during the period you held it from 6 April 1998, the gain on the disposal of the asset will be appropriately apportioned between the two elements. Part of the gain will qualify for the business asset taper for the qualifying holding period and the other part for the non-business asset taper for the qualifying holding period.

Example 10 – asset only partly used as a business asset

You acquire a property on 1 December 1994. You sell it on 31 March 2008 and make a gain of £20,000 on the sale. In your period of ownership falling from 6 April 1998, the property was used $\frac{4}{5}$ as a shop from which you conducted a trade and the remaining $\frac{1}{5}$ of the property was let out as a furnished flat.

There are 9 whole years in your qualifying holding period for a business asset and 10 years for a non-business asset (being the bonus year as the property was acquired before 17 March 1998 and 9 full years from 6 April 1998).

In calculating your taper relief you first need to determine the proportion of the asset which relates to non-business use. In this example, this is $\frac{1}{5}$ as the letting of the flat is not business use. Next you need to apportion the overall gain into a gain on a business asset and a gain on a non-business asset as follows:

Business asset: $£20,000 \times \frac{4}{5} = £16,000$. Your qualifying holding period is 9 years and so 25% of this part of the gain will be chargeable: £4,000.

Non-business asset: $£20,000 \times \frac{1}{5} = £4,000$. Your qualifying holding period is 10 years (9 complete years and the bonus year) and so 60% of this part of the gain will be chargeable: £2,400.

The aggregated chargeable gain is £6,400.

Example 11 – asset used only part of the time as a business asset

You acquire a property on 16 March 1996. You sell the property on 5 April 2008 and make a gain of £20,000 on the sale.

The property was a business asset until 5 April 2002. Between 5 April 2002 and when the property was sold on 5 April 2008 it remained empty. The gain during this period will be treated as arising on the sale of a non-business asset.

There are 9 whole years in your qualifying holding period for a business asset and 10 years for a non-business asset (being 9 whole years and the bonus year as the property was acquired before 17 March 1998 and 9 full years from 6 April 1998).

During the period of ownership from 6 April 1998 (6 April 1998 to 5 April 2008) the apportionments are:

- business use proportion $\frac{1461 \text{ days (or) } 40\%}{3653 \text{ days}}$
- non-business use proportion $\frac{2191 \text{ days (or) } 60\%}{3653 \text{ days}}$

Computation

First calculate the gain on the period while the asset was a business asset:
 $£20,000 \times 40\% = £8,000$.

The remainder of the gain will be treated as a gain on a non-business asset:
 $£20,000 \times 60\% = £12,000$.

So £8,000 of the gain qualifies for the business asset taper appropriate to a qualifying holding period of 9 years. So 25% of this part of the gain will be chargeable: £2,000.

£12,000 of the gain qualifies for the non-business asset taper appropriate to a qualifying holding period of 10 years. So 60% of this part of the gain will be chargeable: £7,200.

The aggregated chargeable gain is £9,200.

What if I hold an asset that became a business asset on 6 April 2000 or 6 April 2004?

Where an asset did not qualify as a business asset before 6 April 2000 or 6 April 2004 but became a business asset from that date as a result of the changes introduced in either Finance Act 2000, 2001 or 2003 you will need to calculate the aggregate chargeable gain as in Example 11 above.

Example 12 below shows how to calculate the aggregate gain for a holding of shares that became a business asset on 6 April 2000. Alternatively, for assets that became business assets on 6 April 2000, the information on page 14 explains when you may be able to compute the net chargeable gain using the table at the end of this Help Sheet.

Example 12 – asset becomes a business asset on 6 April 2000

You acquire shares in a listed trading company that you are a part-time employee of on 1 January 1997. No further acquisitions of shares are made. They were not business assets before 6 April 2000. The shares become business assets on 6 April 2000. On 5 August 2007 you sell all the shares and make a gain of £18,000.

There are 9 whole years in the qualifying holding period for business assets and 10 years for non-business assets (being 9 whole years and the bonus year as the shares were acquired before 17 March 1998 and still held at 6 April 1998).

During the period of ownership from 6 April 1998 (6 April 1998 to 5 August 2007) the apportionments are:

- business asset proportion (6 April 2000 to 5 August 2007)
 $\frac{2678 \text{ days (or) } 79\%}{3409 \text{ days}}$
- non-business asset proportion (6 April 1998 to 5 April 2000)
 $\frac{731 \text{ days (or) } 21\%}{3409 \text{ days}}$

Computation

First calculate the gain on the period while the asset was a business asset:
 $£18,000 \times 79\% = £14,220$.

The remainder of the gain will be treated as a gain on a non-business asset:
 $£18,000 \times 21\% = £3,780$.

£14,220 of the gain qualifies for the business asset taper appropriate to a qualifying holding period of 9 years. So 25% of this part of the gain will be chargeable: £3,555.

£3,780 of the gain qualifies for the non-business asset taper appropriate to a qualifying holding period of 10 years. So 60% of this part of the gain will be chargeable: £2,268.

The aggregate chargeable gain is £5,823.

If you need to report details of gains, like those in the examples 10 to 12, you should do so in the computations included with your *Capital Gains Summary* pages. If you use the table at the end of this Help Sheet to work out your gain after taper relief, follow the guidance with the table when you prepare your computations.

Completing the *Capital Gains Summary* pages

Taper relief is applied to the net chargeable gains after the deduction of any losses or other reliefs and before the deduction of the annual exempt amount.

If you do not have any allowable losses

You simply reduce the amount of each chargeable gain made in the tax year using the percentage in the table and then deduct the annual exempt amount from the total tapered gains. This will tell you the amount on which you are liable to pay Capital Gains Tax.

Example 13

You acquire a business asset on 1 June 1995 for £30,000. You sell the asset on 1 July 2007 for £80,000. Your untapered chargeable gain (after deducting indexation allowance of £2,550 for the period 1 June 1995 to April 1998) is therefore £47,450. You have no other chargeable gains or allowable losses in the tax year 2007-08. There are 9 whole years in your qualifying holding period for taper relief purposes. The taper percentage of gain chargeable for a business asset held for 9 years is 25%.

The amount liable to Capital Gains Tax is computed as follows:

Chargeable gain $£47,450 \times 25\%$	£11,862
minus annual exempt amount	£9,200 *
Amount liable to Capital Gains Tax	£2,662

* The annual exempt amount shown in this example relates to that available to an individual. The amount may vary if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

If you have allowable losses

The rules for allowing losses of the year and allowing losses carried forward from earlier years are explained in the *Capital Gains Summary notes*.

You first deduct your allowable losses of 2007-08 from your chargeable gains of 2007-08 without taking account of taper relief. If your net gains are equal to or below the annual exempt amount (£9,200 for individuals, the amount may vary for trustees or personal representatives) you do not have any Capital Gains Tax to pay and there is no need to taper your chargeable gains.

If, after deducting any losses you made in 2007-08, your net chargeable gains for 2007-08 exceed your annual exempt amount, you can further reduce them by deducting any allowable losses from earlier years that you have not yet used and that are available to be used in 2007-08. Deduct these losses to the extent necessary to reduce your chargeable gains to your annual exempt amount. (If as an individual you have gains attributed to you as settlor or beneficiary of a settlement, the set-off of losses is modified and restricted, see below.) You may also elect for relief to be calculated based on the attributed gains before taper relief. This is explained later on this page. If you have sufficient losses to do this you do not have any Capital Gains Tax to pay and there is no need to taper your chargeable gains.

If, after deducting all the losses you can, you still have an amount of net chargeable gains greater than your annual exempt amount, you will then need to taper your net gains. Before doing this you should set losses against gains in such a way as to maximise the benefit of taper relief. The examples on pages 12 and 13 illustrate how this works.

You deduct losses from individual chargeable gains in turn, starting with those where there is no taper relief, and going on to those with the next lowest rate of taper relief (that is to say, the gains with the highest percentage of gain chargeable), and so on. You then apply the appropriate taper percentage to each chargeable gain after the deduction of losses. This process enables you to make maximum use of taper relief on the gains that remain chargeable. You then deduct the annual exempt amount from the total of tapered gains to arrive at the amount on which you are liable to pay Capital Gains Tax.

Your chargeable gains for 2007-08 may include gains attributed to you if you are a settlor of a 'settlor-interested trust' for Capital Gains Tax purposes. An amount equal to the gains of the trustees after trust losses but before taper relief is attributed to you as the settlor. Personal losses, including losses brought forward, which are not needed to cover personal gains are then deducted from the gross attributed gains before taper relief. Taper relief is then applied to the net trust gains attributed to you as settlor. A detailed explanation of how losses are set-off against gains attributed from settlor-interested trusts can be found in Help Sheet 277 *Trusts with settlor interest and trusts for the vulnerable: taper and losses*.

Your personal losses of any year cannot be set-off against gains attributed to you as the beneficiary of a settlement, as this would involve setting untapered losses against gains which have already been tapered in the hands of the trustees of the settlement before they are attributed to you, see Example 16 on page 13. If you have gains attributed to you in this way for 2007-08 and also have losses brought forward from earlier years the rules are modified and restricted in respect of the set-off of those losses. The effect is that:

- your annual exempt amount is set against any attributed gains first
- any annual exempt amount left over can be used against your personal gains
- losses of 2007-08 are set against personal gains while losses of earlier years are set against your personal gains only to the extent necessary to reduce those gains to the level of any left-over annual exempt amount.

Further guidance together with examples covering the set-off of losses brought forward where there are also attributed gains is included in our Capital Gains Manual at www.hmrc.gov.uk

Example 14 – one gain, one loss

You make a chargeable gain on a business asset of £50,000 in 2007-08. There are 9 whole years in your qualifying holding period for taper relief purposes. The taper percentage of gain chargeable for a business asset held for 9 whole years is 25%. In 2007-08 you have an allowable loss of £1,000 (it is irrelevant whether the loss arises on a business or non-business asset or how long the asset has been held).

You set your allowable loss against your untapered chargeable gain as follows:

Chargeable gain	£50,000
minus allowable loss	<u>£1,000</u>
Net chargeable gain	£49,000

As £49,000 exceeds the annual exempt amount of £9,200* you then compute the amount of taper relief and your Capital Gains Tax liability as follows:

Apply taper relief £49,000 x 25%	£12,250
minus annual exempt amount	<u>£9,200 *</u>
Amount liable to Capital Gains Tax	£3,050

* The annual exempt amount shown in this example relates to that available to an individual. The amount may be different if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

Example 15 – more than one gain, loss fully used against one gain

You make untapered chargeable gains on two assets and a loss on a third asset in 2007-08, as follows:

Asset 1: Untapered chargeable gain £30,000. There are two whole years in the qualifying holding period and the asset was held as a business asset throughout. The taper percentage is 25%

Asset 2: Untapered chargeable gain of £8,000. There are no whole years in the qualifying holding period. The taper percentage is 100%

Asset 3: Loss of £5,000

You first establish whether you have to compute any taper relief by setting your losses against your untapered chargeable gains as follows:

Total chargeable gains	£38,000
minus allowable losses	<u>£5,000</u>
Net untapered gains	£33,000

As £33,000 exceeds the annual exempt amount of £9,200* you then compute the amount of taper relief by setting the allowable loss against chargeable gains in the most favourable way. In this case you set the loss of £5,000 wholly against your untapered chargeable gain of £8,000 on Asset 2 since this qualifies for no taper reduction compared with 25% for Asset 1. So you then compute your taper relief and Capital Gains Tax liability as follows:

Asset 1 £30,000 x 25%	£7,500
Asset 2 Balance of gain £3,000	
(£8,000 minus £5,000) x 100%	<u>£3,000</u>
Total net tapered gains	£10,500
minus annual exempt amount	<u>£9,200 *</u>
Amount liable to Capital Gains Tax	£1,300

Example 15 – continued

* The annual exempt amount shown in this example relates to that available to an individual. The amount may be different if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

Example 16 – losses and attributed gains as beneficiary of a settlement

In 2007-08 you make a gain of £9,000 on the disposal of shares and also incur a loss of £10,000 on the sale of a property. You also have gains of £16,000 attributed to you as beneficiary of a settlement. The annual exempt amount for 2007-08 is £9,200.

Your computation is as follows:

Chargeable gain	£9,000
minus allowable losses	£9,000
	<u>Nil</u>
Attributed gains	£16,000
Annual exempt amount	£9,200
Chargeable	<u>£6,800</u>

The balance of your personal losses, £1,000, can be carried forward.

Example 17 – losses and attributed gains as settlor of a settlor-interested trust

In 2007-08 you make a gain of £10,000 on the disposal of a property but also incur a loss of £15,000 on the disposal of shares. In addition you have gains attributed to you of £45,000 as a settlor of a settlor-interested trust. The trustees made a gain on the disposal of shares in an unlisted trading company, which were acquired in May 2000. The disposal is of a business asset. The annual exempt amount for 2007-08 is £9,200.

Your computation is as follows:

Chargeable gain (property)	£10,000
minus allowable losses	£10,000
	<u>Nil</u>
Attributed gains	£45,000
minus allowable losses	£5,000
Chargeable gain	<u>£40,000</u>

The chargeable gain qualifies for business asset taper relief:

$$£40,000 \times 25\% = £10,000$$

Total net tapered gains	£10,000
minus annual exempt amount	£9,200
Amount liable to Capital Gains Tax	<u>£800</u>

Apportionment as a result of the Finance Act 2000 changes

Example 12 on page 9 showed how to calculate taper relief where you disposed of an asset that became a business asset on 6 April 2000 or 6 April 2004. In order to simplify the calculation you may use the 'Taper percentage apportionment table' on pages 15 and 16 when completing Tax Returns for assets that:

- you owned before 6 April 2000, and
- were non-business assets up to 5 April 2000, and
- were business assets from 6 April 2000 up to the date of disposal.

You should apply the percentage in the table to the total chargeable gain. Using the table saves you apportioning the gain between a gain on a business asset and a gain on a non-business asset, and making separate taper calculations.

You should not use the table if:

- the asset first became a business asset on or after 6 April 2004
- you wish to offset a loss against one or both of the apportioned chargeable gains on the asset
- the anti-avoidance provisions mentioned in this Help Sheet apply to you.

The table calculates taper relief based on periods to the 15th of every month, except April. For April, we have used disposals on the 3rd and 18th. As a result, if you make a disposal after these dates in each month, a smaller aggregate chargeable gain may result if the calculation is made on a strict basis as shown in Example 12 on page 9.

Where you dispose of an asset in the same month as the month you acquired it, but in a later year, check whether the disposal occurs on or after the anniversary of the date you acquired it. For example, if you acquired the asset on 9 January 1999 and disposed of it in January 2008 you can only use the percentage shown for January 2008 if the disposal occurred on or after 9 January 2008. If the disposal is between 1 and 8 January use the percentage shown in the previous month, December 2007.

Example 18 - how to use the table on pages 15 and 16

You acquire shares in a listed trading company of which you are an employee on 11 February 1999. No further acquisitions of shares are made. They were not business assets before 6 April 2000.

On 15 February 2008 you sell all the shares and make a gain of £24,000. The shares are business assets from 6 April 2000 to 15 February 2008. You do not wish to use any capital losses against this gain and the anti-avoidance rules do not apply.

The months of acquisition and disposal are both February but as the date of disposal is after the anniversary of the date of acquisition you can use February for the month of disposal. If you made the disposal between 1 and 10 February you would have to use January as the month of disposal.

The table shows that if the month of acquisition is February 1999 and the month of disposal is February 2008 then 30.7% of the gain is chargeable, or $£24,000 \times 0.307 = £7,368$.

Please make it clear in your computation of any gain included with your *Capital Gains Summary* pages that the table has been used by writing 'Table used'.

Taper relief apportionment table

Time of acquisition	Time of disposal					
	Apr 2007	May 2007	June 2007	July 2007	Aug 2007	Sep 2007
	%	%	%	%	%	%
Before 17/3/1998	32.8	32.7	32.6	32.5	32.5	32.4
17/3/1998 to 5/4/1998	33.9	33.8	33.7	33.6	33.6	33.5
April 1998 (from 6/4)	33.7	33.7	33.6	33.5	33.5	33.4
May 1998	34.6	34.5	33.1	33.3	33.2	33.1
June 1998	34.2	34.1	34.1	33.0	32.9	32.8
July 1998	33.9	33.8	33.7	33.6	32.6	32.5
August 1998	33.5	33.5	33.4	33.3	33.2	33.2
September 1998	33.2	33.1	33.0	32.9	32.9	32.8
October 1998	32.8	32.7	32.7	32.6	32.5	32.5
November 1998	32.4	32.4	32.3	32.2	32.2	32.1
December 1998	32.1	32.0	31.9	31.9	31.8	31.7
January 1999	31.7	31.6	31.6	31.5	31.4	31.4
February 1999	31.3	31.2	31.2	31.1	31.0	31.0
March 1999	30.9	30.9	30.8	30.7	30.7	30.6
April 1999	30.5	30.4	30.4	30.3	30.3	30.2
May 1999	30.6	30.6	30.0	29.9	29.9	29.8
June 1999	30.2	30.1	30.1	29.5	29.5	29.4
July 1999	29.7	29.7	29.6	29.6	29.1	29.0
August 1999	29.2	29.2	29.1	29.1	29.0	28.6
September 1999	28.7	28.6	28.6	28.6	28.5	28.5
October 1999	28.2	28.1	28.1	28.1	28.0	28.0
November 1999	27.6	27.6	27.6	27.6	27.5	27.5
December 1999	27.1	27.1	27.1	27.0	27.0	27.0
January 2000	26.5	26.5	26.5	26.5	26.5	26.5
February 2000	26.0	26.0	26.0	25.9	25.9	25.9
March 2000	25.4	25.4	25.4	25.4	25.4	25.4
April 2000	25.1	25.1	25.1	25.1	25.1	25.1

Taper relief apportionment table

Time of acquisition	Time of disposal						
	Oct 2007	Nov 2007	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008
	%	%	%	%	%	%	%
Before 17/3/1998	32.4	32.3	32.2	32.3	32.1	32.1	32.0
17/3/1998 to 5/4/1998	33.4	33.3	33.3	33.2	33.1	33.1	33.0
April 1998 (from 6/4)	33.3	33.2	33.2	33.1	33.0	33.0	32.9
May 1998	33.1	33.0	32.9	32.8	32.8	32.7	32.7
June 1998	32.8	32.7	32.6	32.6	32.5	32.4	32.4
July 1998	32.5	32.4	32.3	32.3	32.2	32.2	32.1
August 1998	32.2	32.1	32.0	32.0	31.9	31.9	31.8
September 1998	31.9	31.8	31.7	31.7	31.6	31.6	31.5
October 1998	32.4	32.5	31.4	31.4	31.3	31.3	31.2
November 1998	32.0	32.0	31.1	31.1	31.0	31.0	30.9
December 1998	31.7	31.6	31.5	30.8	30.7	30.7	30.6
January 1999	31.3	31.2	31.2	31.1	30.4	30.3	30.3
February 1999	30.9	30.9	30.8	30.8	30.7	30.0	30.0
March 1999	30.6	30.5	30.5	30.4	30.4	30.3	29.7
April 1999	30.2	30.1	30.1	30.0	30.0	29.9	29.9
May 1999	29.8	29.7	29.7	29.7	29.6	29.6	29.5
June 1999	29.4	29.3	29.3	29.3	29.2	29.2	29.1
July 1999	29.0	28.9	28.9	28.9	28.8	28.8	28.8
August 1999	28.5	28.5	28.5	28.4	28.4	28.4	28.4
September 1999	28.1	28.1	28.0	28.0	28.0	28.0	27.9
October 1999	28.0	27.7	27.6	27.6	27.6	27.5	27.5
November 1999	27.5	27.4	27.2	27.2	27.1	27.1	27.1
December 1999	27.0	27.0	26.9	26.7	26.7	26.7	26.7
January 2000	26.5	26.4	26.4	26.4	26.3	26.2	26.2
February 2000	25.9	25.9	25.9	25.9	25.9	25.8	25.8
March 2000	25.4	25.4	25.4	25.4	25.4	25.4	25.3
April 2000	25.1	25.1	25.1	25.1	25.1	25.1	25.1

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.