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Fast Track - Capital Gains Tax (CGT)

As a part of the Finance Act 2020, the government have introduced new legislative changes to when and how capital gains tax is reported and paid.

CGT – The changes

From tax year 20/21, individuals registered for tax within the UK must report any capital gains incurred from sale of capital assets within the UK or on capital assets disposed abroad.

The acceleration in the laws comes in as taxpayers have just 30 days post completion of an asset to submit to HMRC a 'provisional calculation' of the gain and pay the liability.

However, that's not all. Taxpayers are still required to complete and compute self-assessment as per the previous regime and submit as per the usual deadlines. As a result, tax over or under paid against the 'provisional calculation' needs to be paid.

If you are not registered for self-assessment you will not be obliged to register on the basis of the capital gains incurred. Rather, your integrity will be required in reviewing your provisional calculations and adjust the submission accordingly.

Similar to most HMRC regulation, deadlines not adhered to or returns that are incorrect will result in potential penalties.

CGT – The calculation

CGT is paid as a percentage of either 18% or 28% based on if you are a basic rate or higher rate taxpayer.

As a result, when calculating your 'provisional calculations' individuals will need to be determined which tax band they fall under. This will allow individuals to apply a true and fair percentage rate calculating to a realistic estimated capital gains tax liability.

As per previous legislation any capital losses are permitted to be brought forward and set against gains in the new tax year.

CGT – Tax planning

It is essential individuals contact an accountant like Anantam Accountancy when and soon as you are planning to sell a capital asset. Especially if are planning to sell more than one asset that is expected to give a rise to a gain or loss.

CGT – Overview

Capital gains tax is a liability paid to HMRC on profit of a disposed asset.

Assets considered as capital in nature include the disposal of, shares, property (second or BTL), as well as personal possessions which could include valuables; jewellery, antiques and arts.

Assets given away as a gift or transferred to someone else can raise capital gains tax liability in future years.

Again, it is wise individuals, or couples consult with accountants like Anantam Accountancy to ensure they are clear on potential tax reporting and liability to HMRC.