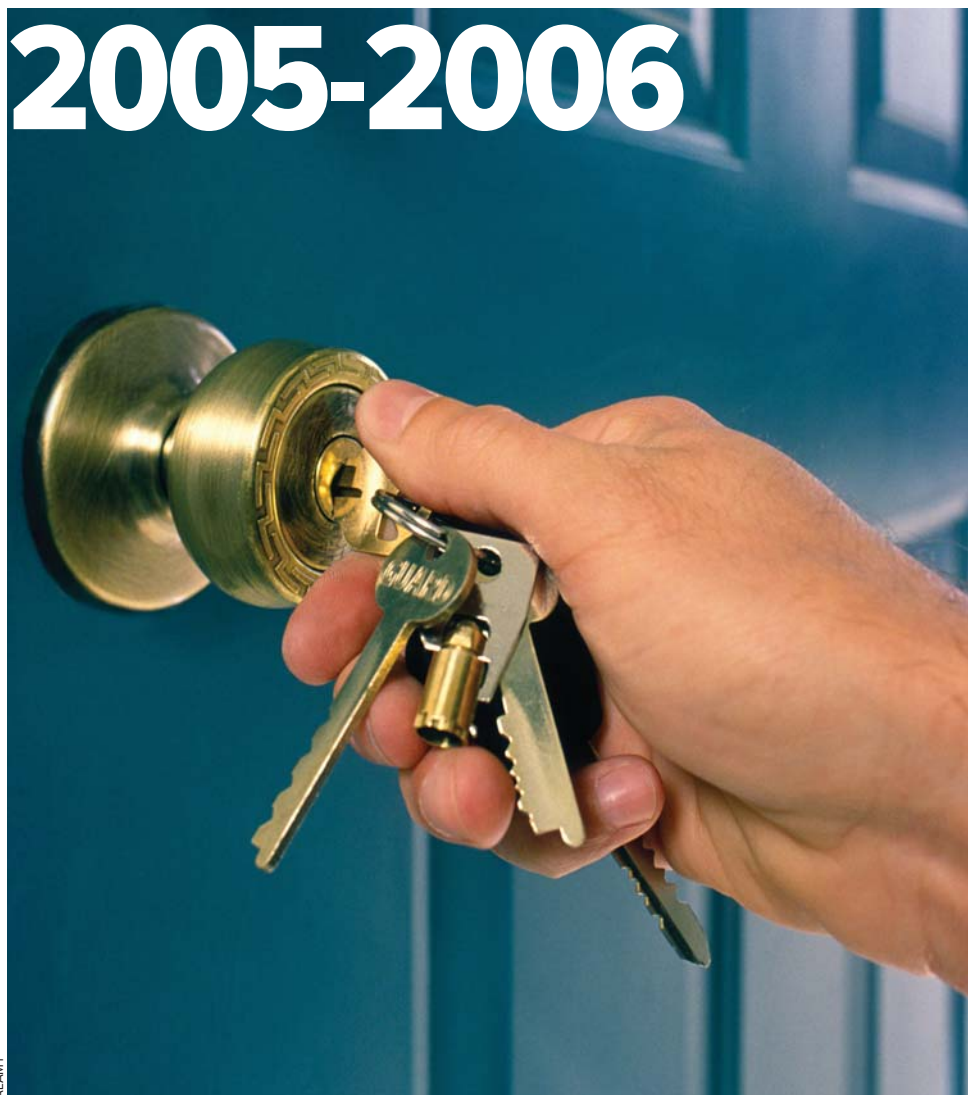


# Capital gains tax calculator

## 2005-2006



ALAMY

You may have to pay capital gains tax when you sell or give away an asset, such as a second home. Use our calculator, overleaf, to work out how much you have to pay. There's more information on capital gains tax, including what you can do to keep your bill down, starting on p49 of the *Which? Tax Saving Guide 2006-2007*.

# CAPITAL GAINS TAX CALCULATOR 2005-2006

## 1 WORK OUT YOUR GAIN OR LOSS ON EACH ASSET

First, work from left to right to work out the gain (or loss) on any assets that aren't tax free. If you disposed of more than one asset in the 2005-2006 tax year, work through these three sections for each asset (copy this page and write in a description of the asset under 'Unindexed gain or loss'). This will give you a record to back up your tax return if you make a taxable gain. You should also keep a record if you make a loss, as the loss can be used to reduce gains in future.

UNINDEXED GAIN OR LOSS		INDEXED GAIN (if owned before 14 .98)		TAPER RELIEF	
Description of asset				Date asset disposed of	
Final value	<input type="text"/> a		<input type="text"/> aa	Date asset acquired	
Initial cost	<input type="text"/>	x <input type="text"/> Indexation factor = <input type="text"/>	<input type="text"/>	Number of complete years of ownership since 5 April 1998 (ie seven years if acquired before 6 April 1998 and sold in 2005-2006)	<input type="text"/>
Allowable expense	<input type="text"/>	x <input type="text"/> = <input type="text"/>	<input type="text"/>	Add one extra year if non-business asset owned before 17 March 1998	<input type="text"/>
Allowable expense	<input type="text"/>	x <input type="text"/> = <input type="text"/>	<input type="text"/>	Total qualifying years	<input type="text"/>
Unindexed gain or Allowable loss	<input type="text"/> b or <input type="text"/> c		<input type="text"/> Indexed gain bb	Percentage of gain chargeable	<input type="text"/> % t

Enter the final value of the asset at **a** and deduct its initial value and any allowable expenses. If you incurred costs in the same month, you can add them together before entering them, but you need to enter costs incurred at different times separately.

■ If the result is a plus figure, enter it at **b**. If you acquired the asset before 1 April 1998, go to Indexed gain. Otherwise, go straight to 'Taper relief', right

■ If result is a minus figure, enter it at **c** and claim loss with Revenue & Customs (indexation and taper relief don't apply). Go to your next disposal.

First, copy **a** to **aa**. Go to the indexation table (overleaf) and find the indexation factor for the months in which you acquired the asset and incurred each cost. Add 1 to the indexation factor. For example, if the factor is 0.968, add 1 to make it 1.968. Multiply the initial cost and any expenses (in the left-hand column) by the relevant factor and enter the indexed figures in the right-hand column. Deduct each indexed cost in the right-hand column from **aa**.

■ If the result is a plus figure, enter it at **bb** and go to 'Taper relief', right

■ If result is a minus figure, enter zero at **bb** (indexation cannot turn a gain into a loss). Ignore Taper relief and go to your next disposal.

Work out the number of complete years between 5 April 1998 and the date of disposal and enter in the top box. If the asset is a non-business asset which you owned on 17 March 1998, add an extra year. The result is the total of your qualifying years. Go to the taper relief table overleaf, find the appropriate percentage of gain chargeable and enter at **t**.

Now repeat the above steps for the next asset disposed of in 2005-2006. Once you have completed these steps for each asset, go to step 2a, below, to work out your overall gains.

## 2a YOUR OVERALL GAINS FOR 2005-2006

The full capital gains tax calculations can be very complex, but don't worry – you may not need them.

First, try this 'quick check' to see whether you need the full calculation.

Add up all your gains (**bb** if it's an indexed gain, otherwise **b**) and enter at **B**.

Add up all your losses (from **c**, above) and enter at **C**.

Deduct **C** from **B** and enter at **D**. This is your total gain for the year.

■ If **D** is under £8,500, you have no taxable gains – you can stop here.

■ If **D** is a minus figure, you have a net loss to carry forward to future years – you can stop here.

Now enter any unused losses from earlier years. You only need to deduct enough losses to reduce your gains to the level of the tax-free slice, so at **E** enter **D** minus £8,500, or your unused losses if less.

Deduct **E** from **D** and enter at **F**. This is your gains after losses. If **F** is under £8,500, you have no taxable gains – you can stop here.

■ If the same rate of taper relief applies to all your gains (ie **t**, above, is the same for all your disposals), multiply **F** by the relevant percentage and go straight to step 3.

■ Otherwise, leave **G** blank and go to step 2b first.

Indexation factor	<input type="text"/> B
Total losses	- <input type="text"/> C
Gains/losses for year	= <input type="text"/> D
Unused losses from earlier years	- <input type="text"/> E
Gains after losses	= <input type="text"/> F
Gains after losses x <input type="text"/> %	= <input type="text"/> G

# CAPITAL GAINS TAX CALCULATOR 2005-2006

## 2b DEDUCTING TAPER RELIEF

You only need step 2b if you made several disposals with different rates of taper relief. If not, go straight to step 3.

Carry figures C and E across from 2a and enter in the relevant boxes on the left-hand side.

**Row T** Copy the taper rates which applied at **t** in step 1 (for different assets) to the top row. Enter the highest percentage (eg 100 per cent) in **T1**, the next highest rate (eg 90 per cent) in **T2**, and so on. Draw in another column if necessary.

**Row B** Enter at **B1** the amount of gains with the highest percentage chargeable. Gains with the next highest percentage go in **B2**, and so on for **B3**.

If you have losses from this year or earlier years, go to **row C**, otherwise, go straight to **row F**.

**Row C** It saves most tax to set off your losses first against those gains with the highest taper rate. So allocate your 2005-2006 losses working from left to right. At **C1**, enter **C** or box **B1** if less. At **C2**, enter **C** minus **C1**, or **B2** if less, and so on.

**Row D** Working down the columns, deduct losses from gains (eg enter **B1** minus **C1** in **D1**).

**Row E** Next allocate any unused losses from earlier years, but only enough to reduce gains to £8,500. At **E1** enter **E**, or **D1** if less. In **E2**, enter **E** minus **E1**, or **D2** if less, and so on.

**Row F** Working down the columns, deduct losses from gains so far (eg **D1** minus **E1** in **F1**). If you had no losses, **F1** equals **B1**, and so on.

**Row F** Multiply your gains in **row F** by the relevant percentage chargeable and enter in **row G** (ie **F1** x **T1** goes in **G1**; **F2** x **T2** in **G2**, and so on). Add **G1**, **G2** and **G3** and enter in box **GG**.

	Highest % of gain chargeable %	Next highest % chargeable %	Next highest % chargeable %
	T1	T2	T3
TOTAL GAINS	B1	B2	B3
TOTAL LOSSES FOR YEAR	C1	C2	C3
UNUSED LOSSES FROM EARLIER YEARS	D1	D2	D3
	E1	E2	E3
	xT1	xT2	xT3
GAINS AFTER LOSSES	F1	F2	F3
TAPERED GAIN	G1	G2	G3
	GG		

Tapered gains

G1 + G2 + G3 = GG

## 3 AMOUNT OF CAPITAL GAINS TAX

Deduct the tax-free slice (£8,500) from your total tapered gains (either G from step 2a or GG from step 2b). The result is your taxable gain.

G or GG	£8,500	Taxable gain H
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Taxable gains are taxed as if they were the final slice of your income. This means that your taxable gains are added to your taxable income and taxed at 10 per cent on amounts below the threshold for starting-rate tax (£2,090), 20 per cent on amounts below the basic-rate threshold (£32,400) and at 40 per cent above that limit.

Taxable at 10%	Taxable at 20%	Taxable at 40%
x0.10	x0.20	x0.40
Tapered gains		

Tapered gains

+ + =

## EXAMPLE

Bill sold his holiday home in May 2005 for £120,000 (a). It cost £30,000 in May 1983. He spent £6,000 on an extension in June 1985. He subtracts these costs from the proceeds, to get an unindexed gain of £84,000 at b.

The home was owned before April 1998, so Bill moves to the middle section of step 1. He multiplies the purchase price

by the indexation factor for May 1983 (1.921) to get an indexed cost of £57,630. The indexed cost of the extension is £10,224, so his total indexed gain at bb is as follows: £120,000 - £57,630 - £10,224 = £52,146.

Bill has seven qualifying years of ownership, plus an extra year because the house is a non-business asset owned before 1998. Only 70 per cent of

the gain is chargeable – that is, £52,146 x 70% = £36,502.

In 2005-2006 Bill also sold some shares for a gain of £5,000, with no taper relief (100 per cent of the gain is taxable), and some other shares for a £4,000 loss. Step 2a shows total gains of £57,146, minus losses of £4,000 = £53,146 at F. He has no losses from earlier years.

Because different taper rates

apply, Bill goes to step 2b, entering 100 in T1 and £5,000 at B1, 70 in T2 and £52,146 in B2. He enters his £4,000 losses at C1, leaving £1,000 at F1. F2 is £52,146.

The whole £1,000 in F1 is taxable, but only 70 per cent of the £52,146 in F2, that is £36,502. GG is £37,502. After the tax-free slice, this leaves £37,502 - £8,500 = £29,002.

## HOW TAPER RELIEF WORKS

**Bob bought a non-business asset (shares) in 1993 and sold it in September 2005. After deducting indexation allowance up to April 1998 and any allowable losses, he made a profit of £1,404. This is how taper relief applies.**

Bob's net gain	£1,404
Complete number of years held after 5 April 1998 (including extra year as asset was held before 17 March 1998)	8 years
Percentage of gain chargeable for non-business assets (with qualifying period of eight years)	70%
Net chargeable gain is 70 per cent of £1,404	£982

If Bob had used up his capital gains tax-free slice, he'd pay £98.20 capital gains tax on this gain if the gain fell into the starting-rate band; £196.40 if in the basic-rate band; and £392.80 if it fell into the higher-rate band. This is equivalent to paying capital gains tax at 14 per cent for basic-rate taxpayers (28 per cent for higher-rate taxpayers) on the original gain of £1,404.

	Gains on business assets		Gains on non-business assets	
Complete years after 5 April 1998 that asset was held	Percentage of the gain that is chargeable – the taper (%)	Equivalent CGT rate for higher-rate/basic-rate taxpayers 40/20% of the taper	Percentage of the gain that is chargeable – the taper (%)	Equivalent CGT rate for higher-rate/basic-rate taxpayers 40/20% of the taper
0	100	40/20	100	40/20
1	50	20/10	100	40/20
2	25	10/5	100	40/20
3	25	10/5	95	38/19
4	25	10/5	90	36/18
5	25	10/5	85	34/17
6	25	10/5	80	32/16
7	25	10/5	75	30/15
8	25	10/5	70	28/14
9	25	10/5	65	26/13
10	25	10/5	60	24/12

## INDEXATION FACTORS

**When completing the Indexed gain part in Step 1 of our calculator, remember that you will need to add 1 to all these indexation factors. For example, if the factor is 0.968, add 1 to make it 1.968.**

Month	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Jan		0.968	0.872	0.783	0.689	0.626	0.574	0.465	0.361	0.249	0.199	0.179	0.151	0.114	0.083	0.053	0.019
Feb		0.960	0.865	0.769	0.683	0.620	0.568	0.454	0.353	0.242	0.193	0.171	0.144	0.107	0.078	0.049	0.014
Mar	1.047	0.956	0.859	0.752	0.681	0.616	0.562	0.448	0.339	0.237	0.189	0.167	0.141	0.102	0.073	0.046	0.011
Apr	1.006	0.929	0.834	0.716	0.665	0.597	0.537	0.423	0.300	0.222	0.171	0.156	0.128	0.091	0.066	0.040	
May	0.992	0.921	0.828	0.708	0.662	0.596	0.531	0.414	0.288	0.218	0.167	0.152	0.124	0.087	0.063	0.036	
June	0.987	0.917	0.823	0.704	0.663	0.596	0.525	0.409	0.283	0.213	0.167	0.153	0.124	0.085	0.063	0.032	
July	0.986	0.906	0.825	0.707	0.667	0.597	0.524	0.408	0.282	0.215	0.171	0.156	0.129	0.091	0.067	0.032	
Aug	0.985	0.898	0.808	0.703	0.662	0.593	0.507	0.404	0.269	0.213	0.171	0.151	0.124	0.085	0.062	0.026	
Sept	0.987	0.889	0.804	0.704	0.654	0.588	0.500	0.395	0.258	0.208	0.166	0.146	0.121	0.080	0.057	0.021	
Oct	0.977	0.883	0.793	0.701	0.652	0.580	0.485	0.384	0.248	0.204	0.162	0.147	0.120	0.085	0.057	0.019	
Nov	0.967	0.876	0.788	0.695	0.638	0.573	0.478	0.372	0.251	0.199	0.164	0.148	0.119	0.085	0.057	0.019	
Dec	0.971	0.871	0.789	0.693	0.632	0.574	0.474	0.369	0.252	0.198	0.168	0.146	0.114	0.079	0.053	0.016	