



## How to reduce the impact of CGT

**Capital Gains Tax (CGT) is generally charged at a swingeing 28% on gains on sales of investments, properties, antiques and shares etc. We set out ten ways in which the impact of this tax burden can be reduced.**

1. Gains on your main residence are usually exempt, but the use of special elections for holiday or second homes can considerably reduce the tax on an ultimate disposal of the latter. However, careful planning will be needed. The election can even apply to overseas properties, although usually there will be overseas tax to pay on the sale. Some countries, such as France, will exempt sales of residential property after a certain period.
2. There are special exemptions from CGT which may mean that disposals of wine investments will be free of CGT on sale. Keep investing!
3. For business assets, just 10% CGT may be paid on sale. There is a lifetime limit of £10 million and a plethora of conditions to comply with. With the right planning, this may mean CGT at just 10% on the sale of your business, unquoted shares or in certain cases, holdings of land or business premises.
4. Despite changes in 2008, non-doms continue to enjoy a special tax regime and, through the legitimate use of offshore trusts, may not need to pay tax on disposals - even of UK investments.
5. Disposals of furnished holiday lets, whether in the UK or European Economic Area, may qualify for a 10% CGT rate on sale. The property needs to be let for a certain number of days and be available for letting for a larger number. These limits are increasing from April 2012.
6. At present, the UK does not charge non-residents on disposals of UK investments and properties, but this might change and if someone looks to leave the UK with this in mind, it is normally necessary to be away for five



complete tax years and make a 'clean break' on departure. Otherwise you may still be in the UK tax net.

7. A lower 18% CGT rate may apply for people on lower incomes and it may be possible to fragment the ownership of investments around the family between spouses and even children to reduce CGT massively.
8. Inevitably, losses will sometimes be made and, for certain investments in unquoted trading companies, this loss can be set against your income, thus giving a very beneficial tax effect.
9. Shares issued under the Enterprise Investment Scheme in certain unquoted companies may qualify for tax free gains after three years of ownership.
10. We deal with many business and share sales and considerable care needs to be taken from a tax and commercial angle when taking loan notes. A tax clearance is usually advisable, but more importantly, care needs to be taken to pay a 10% tax rate on any redemption.

**August 2011**

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