

Capital Gains Tax and Inheritance Tax

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Capital Gains Tax	2005-2006	2006-2007	2007-2008	2008-09	2009-10	2010-11
Annual Exemption - Individuals	£8,500	£8,800	£9,200	£9,600	£10,100	£10,100

The rules for calculation of chargeable gains were simplified for disposals after 6 April 2008. From this date there is a flat rate of tax of 18% on gains exceeding the annual exemption. Taper relief is no-longer available. Entrepreneurs' relief is available on qualifying disposals of businesses from 6 April 2008.

Capital Gains Tax – Taper Relief – to 5 April 2008 only

The amount of gain charged to tax is reduced by taper relief as follows:

	No of complete years of ownership since 5.4.98	Percentage of gain chargeable
Business Assets	0	100
	1	50
	2 or more	25
Non-business Assets (see note 1)	0, 1, or 2	100
	3	95
	4	90
	5	85
	6	80
	7	75
	8	70
	9	65
	10, or more	60

Note 1 Non-business assets acquired before 17 March 1998 are treated as owned for an additional year.

Inheritance Tax – 2003/04 to 2006/07	2003-2004	2004-2005	2005-2006	2006-2007
Death rate: payable at 40% on value of estates over	£255,000	£263,000	£275,000	£285,000

Inheritance Tax – 2007/08 to 2009/10	2007-2008	2008-2009	2009-2010	2010-2011
Death rate: payable at 40% on value of estates over	£300,000	£312,000	£325,000	£325,000

Lifetime gifts to individuals are usually ‘potentially exempt transfers’ and no tax is due if the person who made the gift lives for seven years after making the gift. Tax may be due on lifetime gifts where the gift is made within 7 years of death. Taper relief applies here, see table below.

Inheritance Tax Taper relief

Gifts within seven years of death

Number of years between gift and death		Percentage reduction in tax charge from full death rates
More than	Not more than	
0	3	0
3	4	20
4	5	40
5	6	60
6	7	80
7		100