

Capital Gains Tax and Inheritance Tax

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Capital Gains Tax	2007-2008	2008-09	2009-10	2010-11	2011-12	2012-13
Annual Exemption - Individuals	£9,200	£9,600	£10,100	£10,100	£10,600	10,600

The rules for calculation of chargeable gains were simplified for disposals after 6 April 2008. From this date Taper relief is no-longer available. For disposals between 6 April 2008 and 22 June 2010, Capital Gains Tax is charged at a flat rate of 18 per cent on gains exceeding the annual exemption. From 23 June 2010 there are 2 rates, a lower rate of 18% and a higher rate of 28%. For individuals, the rate if tax depends on the level of your income and gains as compared with the basic rate band for income tax. 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.

Table 2

Inheritance Tax – 2008/09 to 2012/12	2008-2009	2009-2010	2010-2011	2011-12	2012-13
Death rate: payable at 40% on value of estates over	£312,000	£325,000	£325,000	£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.

From 6 April 2012 there is a reduced rate of Inheritance Tax of 36% where an individual gifts 10% of their net estate to charity.

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