



Can you gain from the proposed changes to Capital Gains

Chris Connor

The hot topic, in the Chancellor's Pre Budget Report, is the reform planned for the treatment of Capital Gains Tax for individuals, trustees and personal representatives. Taper relief and indexation allowance are to be withdrawn and from 6 April 2008 there will be a new single rate of charge to capital gains tax at 18%. In essence, this change means an 80% increase in the rate of tax on the disposal of businesses and businesses assets which under the current regime commonly attract a rate on disposal of 10% assuming certain conditions are met.

With only just over six months to go before the new single rate is introduced, the 'winners' are those currently in the process of a business asset transaction who will be able to take advantage of the current regime and a potential tax rate as low as 10% on the disposal of shares in a private company or business asset. Prompt action is required by anybody wishing to dispose of such assets before 6 April 2008 as typically transactions of this type can take time to complete. Certainly from a buyer's perspective the new rate might help negotiations for a lower purchase price for a pre April 2008 transaction.

Perhaps the good news is for those who have pure investment assets such as second homes, share portfolios or buy-to-let properties. The introduction of the new Capital Gains rate next year might even be classed as a 'windfall' for those looking to dispose of such assets. Higher rate taxpayers disposing of such assets are likely to be in a better position under the new regime as they will pay tax at 18% as opposed to 24%, assuming maximum non business asset taper relief was available. Those individuals considering such a disposal may wish to contemplate deferring it until post April next year.

Indeed all individuals should be looking at their personally owned assets, excluding the family home, particularly those where disposal in the near future is contemplated, and comparing the tax position under the existing and new regime. Opportunities to sell assets with full business asset taper or significant indexation should be considered now as should other measures to crystallise gains under the existing regime if that is beneficial. The chance to do one or more of these could help to reduce your potential tax liability.

Along his predecessor, the changes announced by the Chancellor undoubtedly necessitate timely and up-to-date advice which should be sought from your tax adviser.

These notes are for general guidance only. No liability is accepted by Streets for actions taken in reliance upon these notes and it is essential that detailed advice relating to the particular circumstances of the case in question should always be obtained before action is taken.

Streets is a trading style of Streets LLP, Streets Northern LLP, Streets Southern LLP, Streets Tax LLP, Streets Audit LLP and Streets Financial Consulting plc Streets LLP (registered number OC309545), Streets Audit LLP (registered number OC309381), Streets Northern LLP (registered number OC309382), Streets Southern LLP (registered number OC309380) and Streets Tax LLP (registered number OC309379) are all Limited Liability Partnerships registered in England. Their registered office is Tower House, Lucy Tower Street, Lincoln LN1 1XW. A list of the names of the members is available for inspection at this address. Streets Audit LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work Streets Financial Consulting plc (registered number 2029793). Registered office: Tower House, Lucy Tower Street, Lincoln LN11 1XW. A list of directors is available for inspection at this address. Streets Financial Consulting plc is authorised and regulated by the Financial Services Authority
For regulation purposes, corporate finance work undertaken may be dealt with by Streets Financial Consulting plc, which is authorised and regulated by the Financial Services Authority

STREETS

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

Tel: 01522 551200
Fax: 01522 533234

St Peters Chambers
2 Bath Street
Grantham
Lincolnshire
NG31 6EG

Tel: 01476 590838
Fax: 01476 590795

Halifax House
30 George Street
Hull
East Yorkshire
HU1 3AJ

Tel: 01482 225399
Fax: 01482 219964

Lloyd's Building
12 Leadenhall Street
London
EC3V 1LP

Tel: 020 7816 5827
Fax: 020 7816 5826

87 Park Road
Peterborough
Cambridgeshire
PE1 2TN

Tel: 01733 312191
Fax: 01733 896214

Churchgate House
33 Churchgate
Retford
Nottinghamshire
DN22 6PA

Tel: 01777 869955
Fax: 01777 869962

e enquiries@streetsweb.co.uk
www.streetsweb.co.uk