



BUSINESS & PERSONAL TAX SUPPORT

# Capital Gains Tax planning 2024-25

Updated for Budget changes Oct 2024

**Capital gains tax is payable by individuals and trustees on gains realised on the disposal of chargeable assets.**

## Rates applying for 2024-25

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### Up to 30<sup>th</sup> October 2024

Capital gains tax was charged at the rate of 10% where income and gains do not exceed the basic rate limit. This is set at £37,700 for 2024-25. Once the basic rate band has been used up, chargeable gains were taxed at 20%.

### On disposals after 30<sup>th</sup> October 2024

The main rates of Capital Gains Tax that apply to assets other than residential property and carried interest increased from 10% and 20% to 18% and 24% respectively, for disposals made on or after 30 October 2024.

Higher rates apply to gains on residential property and carried interest – 18% where income and gains fall within the basic rate band and 24% otherwise. These rates were not changed in the October Budget.

## Annual exempt amount

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The annual exempt amount is equivalent to a personal allowance for income tax purposes and available to all taxpayers. The annual exempt amount is set at £3,000 for 2024-25 (down from £6,000 for 2023/24).

The annual exempt amount reduces net gains in the year (chargeable gains less allowable losses). It is applied before using allowable losses carried forward from earlier tax years.

Spouses and civil partners can realise combined chargeable gains of £6,000 tax-free in 2024-25.

## Spouses and civil partners

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Spouses and civil partners benefit from the ability to transfer assets between them at a value that gives rise to neither a gain nor a loss. This means that there is no capital gains tax to pay when one spouse or civil partner sells or transfers an asset (or a share in an asset) to their partner. The transferee spouse/civil partner simply takes on the transferor's base cost.

The ability to make no gain/no loss transfers is extremely useful from a tax planning perspective.

It allows couples to transfer assets or a share in an asset prior to a disposal to a third party to access unused annual exempt amounts and basic rate bands.

## Main residence exemption

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One of the most useful capital gains tax exemptions is that applying in respect of the taxpayer's only or main residence. No capital gains tax is payable on a gain on a property that has been the taxpayer's only or main residence throughout the whole period of ownership.

Where the property has been the main residence for some of the time that the taxpayer has owned the property, the exemption shelters the period for which the property was the only or main residence and the last nine months (last 36 months where the taxpayer goes into care).

Spouses and civil partners can only have one main residence between them.

When a second home is acquired, the taxpayer can elect (within two years of the date that the new home is acquired) which property is the main residence for tax purposes. The ability to 'flip' main residences opens up tax planning opportunities.

## Residential property gains

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Special rules apply where a gain is made on a residential property. This may be the case where an investment property or second home is sold, or a home has not been the taxpayer's main residence throughout the period of ownership.

Residential property gains are taxed at 18% where income and gains do not exceed the basic rate limit and at 24% once this has been used.

The chargeable gain must be reported to HMRC online within 60 days of the date of disposal. A payment on account of the tax due on the gain must be made within the same time limit. This is the best estimate at that time of the capital gains tax that will be payable.

## Connected persons

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Transactions between connected persons are deemed to be made at market value. An individual is connected with:

- their spouse or civil partner;
- their siblings;
- their ancestors and lineal descendants;
- relatives of their spouse or civil partner and spouses or civil partners of those relatives.

This rule means that where an asset is given to a connected person (other than a spouse or civil partner to whom the no gain/no loss rules apply), the gain is computed by reference to the market value at the date of disposal. This may trigger a capital gains tax charge on the transferor who will not have received any consideration for the disposal of the asset from which they pay the tax.

Care should therefore be taken when giving assets to children and grandchildren to ensure that funds are available to pay any resulting capital gains tax bill.

The market value is also used in place of the actual disposal proceeds where the transaction is not at arms' length.

## Business Asset Disposal Relief

Business Asset Disposal Relief (formerly known as Entrepreneur's Relief) reduces the capital gains tax payable on the disposal of qualifying assets to 10%, subject to availability of sufficient of the individual's lifetime limit. The lifetime limit is currently £1 million.

The relief applies on the disposal of assets comprised in a disposal of all or part of your business, the disposal of assets used by your business or partnership which were disposed of within three years of the date on which the business ceased or on the disposal of shares in your personal company. The relief is contingent on the associated qualifying conditions having been met for the two-year period prior to disposal.

It is necessary to plan ahead to ensure that the disposal will qualify for Business Asset Disposal Relief. You will need to allow sufficient time for the qualifying conditions to be met for the requisite two-year period.

### Budget changes April 2025-26

The 10% rate will increase to 14% from April 2025 and to 18% for disposals made on or after 6 April 2026.

## Business asset rollover relief

Business asset rollover relief may be available where you sell some business assets and use the proceeds to buy new business assets. The availability of the relief means that any capital gains on the disposal will not be chargeable immediately – instead, it is 'rolled over' reducing the base cost of the new asset by the amount of the gain.

The new asset must be purchased in the period running from one year before to three years after the disposal of the old asset.

## Furnished Holiday Lets (FHL) changes

In the Spring Budget 2024, the Chancellor scrapped the tax advantages of FHL businesses. This will apply from 6 April 2025 and so affected owners have the year 2024-25 to consider their CGT planning options.

## Plan ahead

It is necessary to undertake any capital gains tax planning before you dispose of chargeable assets – it cannot be done retrospectively, planning is necessary.

## We can help

We can help you plan ahead to minimise the capital gains tax payable on the sale of chargeable assets.

Please pick up the phone if you are considering any capital disposals this year or if you own residential property let under the present FHL rules.