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June 2010 Emergency Budget – Capital Gains Tax changes

This brief gives an outline of the changes to the capital gains tax regime announced in the Emergency Budget on 22 June 2010.

Capital Gains Tax rates

The annual exemption for capital gains remains at £10,100 for 2010-11.

This means that only chargeable gains in excess of this amount will suffer capital gains tax.

The rate of capital gains tax for disposals up to and including 22 June 2010 remains at 18%.

For disposals after 22 June 2010 there will be two different rates of capital gains, being 18% and 28%.

The 18% rate will be charged where individuals have chargeable gains made on or after 23 June 2010 which, when added to their taxable income for the tax year, fall below the basic rate band for income tax. (The basic rate band for income tax is set at £37,400 for 2010-11.)

Where part of the total chargeable gain falls within the income tax basic rate band and part of it exceeds it then the first part will suffer 18% capital gains tax and the balance will suffer 28% capital gains tax.

Individuals with taxable income in excess of the income tax basic rate band will pay 28% capital gains tax on their chargeable gains.

The chargeable gains of a trust will all be charged at the 28% rate.

Entrepreneurs Relief

The lifetime limit for Entrepreneurs Relief is raised from £2 million to £5 million with effect from 23 June 2010. This increase makes this relief considerably more valuable.

Please note however that there are a number of conditions which must be met for a disposal to qualify for Entrepreneurs Relief. A disposal of a business asset is unlikely to qualify unless it is associated with a disposal of a business or an interest in a business and professional advice should be sought ahead of any disposal to establish whether or not Entrepreneurs Relief would be available.

Further details of the changes announced today can be found in HMRC Budget Note BN20, which can be found [here](#).