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| **Leicester Institute of Legal Practice**  **Legal Practice Course**  **Taxation**  **Capital Gains Tax**  **Pre-Session Quiz Answers** |

Pre session Quiz Answers

1. CGT is charged on the **chargeable gains** made by a **chargeable person** on the **chargeable disposal** of a **chargeable asset.**
2. £12,300
3. Sterling is NOT a chargeable asset and so CGT does not apply to it. The antique would also have been exempt if it had been worth less than £6,000 as this is an example of tangible moveable property.
4. No CGT liability will arise on the disposal to Jo as this is a disposal between spouses which are treated as being made for consideration which provides neither a gain nor a loss. The CGT liability will be deferred until Jo disposes of the asset.
5. Yes. Sales and gifts are classed as chargeable disposals. The gift is deemed to have been acquired at its market value on the date of the gift.
6. Holdover relief, S.165 TCGA.

(g) In order for holdover relief to apply the following criteria must be fulfilled:

* gift or sale at an undervalue.
* business asset.
* transferor and transferee agree to holdover.

1. Rollover relief can be used on the acquisition of a replacement asset -S.152 (although this asset does not need to be identical to the asset sold), or on the incorporation of a business – S.162 (e.g., a partnership incorporates to a company).
2. The individual can buy the replacement asset between 12 months prior to the disposal and 3 years after the disposal and still claim rollover relief.
3. When advising a client to use rollover or holdover relief, consideration has to be had to the fact that if this relief are used the individual will not be able to use business asset disposal relief (formerly Entrepreneurs Relief) or the annual exemption.
4. Business asset disposal relief charges a reduced rate of CGT of 10% to all gains that qualify for the relief. There is a lifetime limit of £1million on qualifying business disposals. Qualifying business disposals include disposing of shares in a personal trading co or disposing of a business owned as a sole trader or partnership as a going concern.

On the disposal of a sole trade/partnership: interest in business must have been owned for two years. The same conditions apply if the business is being closed and, in this situation, the business assets must also be disposed within 3 years to qualify for relief.

On the disposal of shares or securities: 2-year ownership is required, must be a trading company, for at least two years before disposal, the business must be a ‘personal company’. This means that the person disposing of the shares has at least 5% of both the shares and voting rights.

They must also be entitled to at least 5% of either:

* profits that are available for distribution and assets on winding up the company; or
* disposal proceeds if the company is sold.

If the company stops being a trading company, you can still qualify for relief if you dispose of your shares within 3 years.

1. The £215,000 would be reduced by the annual exemption of £12,300 which gives a gain of £202,700 that will be taxed at 10% giving a liability of £20,270.