

CGT News

Capital Gains Tax – What Next... ?

■ Louise Lewis, 2nd June 2010

With investors scrambling to buy gold coins in an attempt to avoid paying more Capital Gains Tax ("CGT"), no one, not even the Government, seems to be sure about what will happen to CGT in the emergency budget on 22 June 2010.

What is certain at the current time is that the Finance Act 2010 froze the CGT annual exempt amount at £10,100 and doubled entrepreneur's relief from £1m to £2m for disposals on or after 6 April 2010.

However, commentators do not appear to be able to agree on what will happen next, with leading tax advisers stating that the rate at which CGT will be paid will increase from 18% to anywhere between 20%-40%. The Government's own briefing note issued within the last week states that the rate of tax will be "closer" to those rates applied to income tax. David Cameron has also hinted that there will be a lower rate for sales of business assets and a higher rate for other assets, such as second homes.

Aside from the debate about the rate of tax, agreement cannot be reached on the reliefs that may

be available. Some claim that the annual exempt amount of £10,100 will be reduced and that CGT main residence relief may be restricted so as to prevent people using the last 3 years relief on their second homes. Others say that the rate at which tax is paid will be increased but old reliefs will be revived in order to soften the blow of the higher rate.

Senior MP John Redwood and a group of other Conservative MPs has suggested that any rise in the rate of CGT should be softened by re-introducing taper relief or indexation on assets held for more than 1 year which was the practise before Labour introduced a flat rate of 18% in the 2008/2009 tax year. This would at least help to filter out purely inflationary gains.

No definitive announcements are likely to be made before 22 June 2010 and so until that date, it is not certain what rate of tax will apply, what reliefs will be restricted or revived or even when the proposed changes will come into force.

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