



Capital Gains Tax – Changes 9 October 2007

Updated November 2007

The big news from the Pre Budget report was the changes to Capital Gains Tax. The proposed changes will impact many taxpayers and investors, and most will need to decide whether to act now to make disposals or whether they would be better off waiting until after 5 April 2008.

There are some obvious winners and losers, but there is no doubt that the window of opportunity is now there, and anyone who may incur a capital gain over the next few years should take advice about the impact of the changes. Some will decide to defer disposals until after the changes commence, and some will be looking to secure their position now, making disposals if possible to secure preferential treatment under the present rules.

Readers may like to take note of the following:

Exactly who will be better off depends on whether business or non business taper would apply to their sale:

- If business assets are owned then all taxpayers will be worse off due to the loss of taper relief.
- If the assets are investments then basic rate taxpayers will also be worse off, having a net rate of CGT at the moment of 12%, which will rise to 18% after April 2008. This is in addition to the loss of indexation allowance.
- For those paying tax at higher rate – 40%, the loss of indexation may be sufficient to turn the potential advantage of a net rate of 24% reducing to 18% into a disadvantage.

These proposed changes to CGT warrant a close look now. There is still an opportunity to consider strategic planning options before the rules change on 5 April 2008. Clients who are concerned should call to discuss their options.