Year End Tax Planning Guide - Capital Gains Tax

The purpose of this guide is to highlight a number of actions that should be taken either to ensure tax efficiency for individuals in the current tax year or the next and with potential benefit in subsequent tax years. There is much to gain from carrying out relatively simple steps which can yield tax savings. As ever, such recommendations depend upon the specific circumstances of each case and advice should always be taken before implementing any steps.

CAPITAL GAINS TAX 2015

- Utilise the annual exemption of £11,000. It cannot be carried forward.
- Plan now for gains that may be realised next year and consider spouse/civil partner transfers to maximise utilisation of annual exemptions and the benefit of capital losses. If there are managed portfolios again planning not to waste annual exemptions and taking losses before the year end may be beneficial.
- If assets have been sold already producing gains in excess of the annual allowance consider crystallising assets standing at a loss.
- Assess the need for claims for assets that have negligible value. If an asset has not been sold but is worthless and is demonstrably unlikely to appreciate in value it is possible to make a tax election to treat the asset as having been sold and reacquired at market value.
- Where losses arise from shares subscriptions in qualifying trading companies, loss relief can be claimed against income with the result that a higher effective rate of tax benefit could be enjoyed. It is important that time limits are followed for claims.
- Within defined time limits, gains arising to individuals may be deferred by subscribing for shares under the EIS scheme. When the EIS investment is disposed, the original gain falls back into charge, however under the SEIS this applies to only 50% of the deferred gain. Accordingly the overall tax relief under SEIS is 64% if gains would otherwise be taxable at 28 %.
- Consider carefully claims for main residence relief where a second home is acquired.

There is political uncertainty over the rate of capital gains tax after the general election. Accordingly there may be some benefit in accelerating a disposal of an asset before 5 April if it is likely to be sold in 2015 /16.

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