

TAPER RELIEF

This Help Sheet explains how taper relief affects the way in which you calculate chargeable gains. But it is only an introduction. If you are in any doubt ask your tax adviser. Your Inland Revenue office will also be pleased to help. You can also consult the Inland Revenue Capital Gains Manual which explains the rules in more detail. The Manual is available on the Inland Revenue website at www.inlandrevenue.gov.uk or you can ask to see it at your local Inland Revenue Enquiry Centre.

This Help Sheet will help you fill in the Capital Gains Pages of your Tax Return for 2001-02. Help Sheets explaining the rules for taper relief in earlier years are available on the Inland Revenue website.

Taper relief may affect the calculation of gains chargeable to Capital Gains Tax for the year 2001-02. Gains on 'business assets' (see page 3 of this Help Sheet) are tapered where the asset has been held for a whole year or more before disposal. Gains on 'non-business assets' are only tapered where the asset has been held for at least 3 years before disposal.

WHAT IS TAPER RELIEF?

Taper relief applies to disposals from 6 April 1998.

For individuals, trustees of a settlement and a deceased individual's personal representatives taper relief ensures that a reducing percentage of a gain is chargeable to tax, according to the number of whole years the asset has been held **from 6 April 1998**.

The greater the number of years you have held the asset from 6 April 1998, the smaller the percentage of the gain which is chargeable to tax. The rate of taper depends on whether the asset is a business asset or a non-business asset.

The percentage of gain that remains chargeable for business and non-business assets disposed of on or after 6 April 2000, depends on the number of whole years in the *qualifying holding period* and is set out in the following Table :

Gains on business assets		Gains on non-business assets	
Number of whole years in qualifying period	Percentage of gain chargeable	Number of whole years in qualifying period	Percentage of gain chargeable
1	87.5	1	100
2	75	2	100
3	50	3	95
4	25	4	90
		5	85
		6	80
		7	75
		8	70
		9	65
		10 or more	60

The complete Taper Relief Table has been included for information, although for disposals in the tax year 2001-02 that you include in your Tax Return it will only be possible to benefit from, at most, three whole years for business assets and four whole years for non-business assets. The percentage rates shaded will not be available until future tax years.

Different percentages applied for business assets disposed of between 6 April 1998 and 5 April 2000. These were 92.5% for one whole year and 85% for the two whole years.

Any losses you make are not tapered. Instead your losses are simply set off against chargeable gains before taper in such a way as to maximise the benefit of taper relief. Examples 13 to 16 in this Help Sheet explain how losses are relieved.

WHAT IS MEANT BY 'QUALIFYING HOLDING PERIOD'?

This is the period between 6 April 1998, or, if later, the date you first acquired the asset in question and the date that you disposed of it. **For assets acquired before 6 April 1998 you only count the holding period from that date.**

WHAT IS A WHOLE YEAR FOR TAPER RELIEF?

A whole year is any continuous period of 12 months. Fractions of a year are ignored. An asset which you dispose of on an anniversary of its acquisition is accepted as having been held for a whole year.

A whole year does not have to coincide with a tax year, although it will do so for assets acquired prior to 6 April 1998, because only the holding period from that date is counted. **For an asset acquired or held on 6 April 1998 the anniversaries for taper relief occur on 6 April in each following year of ownership.**

BONUS YEAR FOR ASSETS ACQUIRED BEFORE 17 MARCH 1998

Non-business assets which you acquired before 17 March 1998 and which you disposed of during 2001-02 qualify for an additional one year in the qualifying holding period. You should add one year to the period for which any such asset was actually held after 5 April 1998 to establish its qualifying holding period.

Where there is the disposal of such an asset in 2001-02 the addition of the bonus year means that 90% of the gain is chargeable.

Examples of qualifying holding periods

Example 1

You acquire a non-business asset on 25 March 1998 and sell it on 30 March 2002. You have owned the asset for three years and 358 days (remember it is only the period from 6 April 1998 that counts). As there are three whole years in the qualifying holding period 95% of your gain will be chargeable to Capital Gains Tax. If you had acquired the asset before 17 March 1998 the bonus year would have been due and 90% of your gain would have been chargeable to Capital Gains Tax.

Example 2

You acquire a business asset on 1 July 1999 and sell it on 31 July 2001. You have owned the asset for two years and 30 days. Your qualifying holding period will therefore include two full years. The percentage of gain chargeable for a business asset held for two years is 75%.

Example 3

You acquire a business asset on 6 April 1995 and sell it on 5 March 2002. You have owned the asset for three years and 333 days after 5 April 1998. Your qualifying holding period will therefore include three whole years. (There is no bonus year for business assets disposed of after 5 April 2000.) The percentage of gain chargeable for a business asset held for three years is 50%.

VARIATIONS TO THE LENGTH OF THE QUALIFYING HOLDING PERIOD

If any of the following apply, the length of your qualifying holding period may be varied:

- where you acquire an asset at no gain/no loss from your spouse or vice versa the qualifying holding period includes the period during which your spouse held the asset; see the section 'Transfers between husband and wife' on page 3
- where you acquire an asset by the exercise of an option (except in the case of shares within the Enterprise Management Incentives, see *Help Sheet IR287: Employee share schemes and Capital Gains Tax*) the qualifying holding period for the asset is determined by reference to the exercise of the option and not by reference to the grant or acquisition of the option.

Example 4

In July 1996 you are granted an option to acquire a piece of land. In November 1998 you exercise the option and acquire the land. You sell the land in March 2002 and make a chargeable gain. Your qualifying holding period begins in November 1998.

- where assets have merged or divided and the asset that you dispose of derives some part of its value from an earlier asset in your ownership the qualifying holding period may be extended.

Example 5

You acquire a lease of land on 8 January 1995. You acquire the freehold of the same land on 4 February 2000. The lease is extinguished by merger with the freehold. You dispose of the freehold on 31 March 2002.

As the value of the freehold is derived to some extent from the extinguished lease your qualifying holding period begins on 6 April 1998 and you have three full years between that date and the date of disposal. In addition, if this is a non-business asset, you are treated as having acquired the asset before 17 March 1998 and you qualify for the bonus year.

- where a gain would have accrued on a disposal or other event but is postponed to accrue on the happening of a later event the qualifying holding period is determined by reference to the date of the earlier disposal or event and not by reference to the time of accrual. You will also need to calculate the rate of taper according to the rate shown in the Taper Table applying at the time of the earlier disposal or event.

Example 6

In September 1993 you acquire a holding of shares in XYZ Ltd. On 1 January 1996 the company is taken over by ABC plc. You receive a loan note from ABC plc in exchange for your shares in XYZ Ltd. The loan note is a qualifying corporate bond. On 31 December 2001 the loan note is redeemed by ABC plc.

Under the rules for company takeovers (see *Help Sheet IR285: Share reorganisations, company take-overs and Capital Gains Tax*), you calculate the gain which would have arisen if the shares had been sold at their market value immediately before the take-over. That gain does not come into charge at that time, but is postponed until you dispose of the loan note in December 2001. But for taper purposes you have no qualifying holding period because you swapped your shares for the loan note before 6 April 1998. If you had swapped your shares on, say, 1 June 2001 your qualifying holding period would have ended on 1 June 2001, which is the date when your deferred gain would have been calculated, using the taper relief tables applying for 2001-02.

- where you acquire shares from the reconstruction of a mutual business the qualifying holding period cannot begin earlier than the date of issue of the shares.

Example 7

In 1992 you open a share account with a building society. On 1 June 2001 the society converts into a company and you receive shares in the new company. You sell the shares later that month.

Your qualifying holding period begins on 1 June 2001 when the new company shares are issued to you.

- where you defer the whole or part of a chargeable gain under the Enterprise Investment Scheme deferral relief which arises to you on the disposal of shares to which deferral relief or Income Tax relief (or both) is attributable, a longer qualifying holding period may be available (see leaflet *IR137: The Enterprise Investment Scheme*, available from the Orderline and on our website).

Anti-avoidance rules apply where:

- you have entered into a transaction relating to an asset that you own, and the transaction limits your exposure to fluctuations in its value, **or**
- you hold shares in a close company which changes its activities, **or**
- you hold shares in a close company and, without disposing of them, enter into a transaction that affects their value.

In each of these cases taper relief is denied or reduced.

If you think any of the above variations or the anti-avoidance rules apply to you, or you are unsure whether they apply, ask your Inland Revenue office or tax adviser for advice.

HOW IS ENHANCEMENT EXPENDITURE TREATED FOR TAPER PURPOSES?

Where expenditure is made to enhance the value of an asset, the date of the enhancement expenditure is not relevant for the purposes of taper relief. Taper relief is given on the whole gain by reference to the qualifying holding period.

HOW ARE RIGHTS ISSUES, BONUS ISSUES AND SCRIP DIVIDENDS TREATED FOR TAPER PURPOSES?

You may have acquired shares or securities in a company under a **rights or bonus issue**. Under a rights issue shareholders have to pay for the new shares. Under a bonus issue (sometimes described as a scrip or capitalisation issue) the new shares or securities are issued free. For Capital Gains Tax purposes both these types of issues are treated as a reorganisation of a company's share capital and not a new acquisition of shares. Your qualifying holding period for taper relief purposes begins on the date of acquisition of the original shares or securities to which the rights or bonus issue relates and **not** the date that the new shares are issued. Where the original shares or securities have been acquired on different dates the new shares will need to be apportioned to the respective acquisitions on a pro rata basis.

Example 8

You buy 1,000 shares in a company on 20 April 2001. On 13 November 2001 you buy another 500 shares in the same company. On 1 March 2002 the company makes a bonus issue of one extra share for every 10 held. You are treated as acquiring 1,100 shares on 20 April 2001 and 550 shares on 13 November 2001.

A **scrip dividend** (sometimes described as a stock dividend) is a dividend paid by a company in the form of additional shares as an alternative to a cash dividend. Shares or securities acquired in this way from 6 April 1998 are treated as a new acquisition. The qualifying holding period for taper relief purposes therefore commences on the date you acquire the scrip dividend shares or securities.

TRANSFERS BETWEEN HUSBAND AND WIFE

Where you dispose of an asset which has been transferred to you by your spouse your qualifying holding period for taper relief purposes is the combined period of ownership of both of you from 6 April 1998. For disposals of assets from 6 April 2000, the bonus year is only available for non-business assets.

Example 9

You acquire a non-business asset on 1 March 1998. You transfer it to your husband on 31 May 2001. Your husband's qualifying holding period will consist of the combined period of ownership from 6 April 1998 to 5 March 2002 when it was sold. There are therefore three whole years in his qualifying holding period from 6 April 1998. You acquired the asset before 17 March 1998 so your husband also qualifies for the bonus year. The percentage of gain chargeable for a non-business asset held for four years is 90%.

SHARES ACQUIRED THROUGH EMPLOYEE SHARE SCHEMES

Details of how taper relief is calculated for shares acquired through employee share schemes can be found in *Help Sheet IR287: Employee share schemes and Capital Gains Tax*.

WHAT IS A BUSINESS ASSET?

There are different definitions of business asset depending on whether you are disposing of the asset as an individual, a trustee of a settlement, or as the personal representative of a deceased individual, and whether or not you are considering periods of ownership before or from 6 April 2000.

If you are an **individual** a business asset is:

- an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by you (either alone or in partnership) or by a qualifying company
- before 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a trading employer to which you were required to devote substantially the whole of your time.
- from 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a person carrying on a trade (the substantial time requirement no longer being relevant)
- shares or securities held by you in a qualifying company.

If you are a **trustee** a business asset is:

- an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by you as a trustee, an eligible beneficiary (either alone or in partnership) or by the trustees' or eligible beneficiary's qualifying company
- from 6 April 2000, an asset (other than shares or securities) used for the purposes of trade carried on by a partnership in which the trustees of a settlement are partners. This applies where the trustees of a settlement or any one or more of the persons who are trustees of a settlement, acting in their capacity as trustees, are members of a partnership
- before 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment with a trading employer to which an eligible beneficiary is required to devote substantially the whole of his or her time.
- from 6 April 2000, an asset (other than shares or securities) held for the purpose of an office or employment by an eligible beneficiary with a person carrying on a trade
- shares or securities in a qualifying company held by you in your capacity as trustee.

If you are a **personal representative** a business asset is:

- an asset (other than shares or securities) which is used for the purpose of a trade, profession or vocation carried on by you as a personal representative or by a qualifying company
- shares or securities held by you in a qualifying company.

WHAT IS A QUALIFYING COMPANY?

For times before 6 April 2000

A qualifying company is a trading company (or the holding company of a trading group) in which you, whether as an individual, as a trustee of a settlement or as a personal representative of a deceased individual, hold shares which entitle you to exercise at least 25% of the voting rights in that company.

If you are an individual or trustee of a settlement a qualifying company may also be a company in which you hold shares which entitle you to exercise at least 5% of the voting rights in the company and you as an individual, or an eligible beneficiary of the settlement as the case may be, are a full-time working officer or employee of that company (or group).

A full-time working officer or employee of a company is an individual or eligible beneficiary who:

- is an officer or employee of that company or that company and one or more other companies connected with it; **and**
- is required to devote substantially the whole of his or her time to the service of the company or service of those companies taken together.

We take 'devote substantially the whole of his or her time' to mean at least 75% of normal working hours.

For times from 6 April 2000

If you are an individual or a trustee of a settlement or an individual's personal representative, a company is a qualifying company where it is a trading company or the holding company of a trading group and any of the following is met:

- the company is unlisted
- you, the trustees or the personal representative can exercise at least 5% of the voting rights in the company
- you or an eligible beneficiary are an officer or employee of the company or of a company connected with the one in which you or the trustees hold shares.

Where the company is not a trading company or the holding company of a trading group, if you are an individual, a company will be a qualifying company at any time from 6 April 2000 when:

- you were an officer or employee of the company or of one or more companies connected with it, **and**
- you did not have a material interest in the company or a company which at that time controlled that company.

If you are a trustee, a company will be a qualifying company by reference to the trustees of a settlement when:

- an eligible beneficiary was an officer or employee of the company or one or more companies connected with it, **and**
- the trustees did not have a material interest in the company or in a company which at that time controlled that company.

An **eligible beneficiary** is a person who at any given time has an interest in possession in the whole of the settled property of the settlement, or in part of it which consists of or includes the shares or the asset in question.

An **unlisted company** is one where none of its shares are listed on a recognised stock exchange and it is not a 51% subsidiary of a company whose shares, or any class of whose shares, is so listed. A recognised stock exchange includes the London Stock Exchange and any stock exchange outside the UK approved by order of the Board of Inland Revenue. A current list of recognised stock exchanges maybe obtained from:

Business Tax
4th Floor
22 Kingsway
London
WC2R 6NR.

This information is also available on our website at www.inlandrevenue.gov.uk/fid/rse.htm

Shares traded on the Alternative Investment Market (AIM) of the London Stock Exchange will be treated as unlisted.

An individual or the trustees will have a **material interest** when they have:

- more than 10% of any class of share or security in the company
- more than 10% of the voting rights in the company
- rights to more than 10% of the income of the company
- rights to more than 10% of the company's assets if the company is wound up.

You should also add in any shares or rights you do not have at the moment but you are entitled to acquire in the future, whether by options, conditional contracts or other means. When working out if you have a material interest, you have to add in the interests of

people who are connected with you or the trustees of a settlement. Who is a connected person is explained in the Notes on Capital Gains on page CGN13.

WHAT IF AN ASSET HAS BEEN USED ONLY PARTLY AS A BUSINESS ASSET OR FOR ONLY PART OF THE TIME AS A BUSINESS ASSET?

Where an asset has been used partly as a business asset and partly as a non-business asset at some time during the period you held it from 6 April 1998, the gain on the disposal of the asset will be appropriately apportioned between the two elements. Part of the gain will qualify for the business asset taper for the qualifying holding period and the other part for the non-business taper for the qualifying holding period.

Example 10 - asset only partly used as a business asset

You acquire a property on 1 December 1994. You sell the property on 31 March 2002 and make a gain of £20,000 on the sale. In your period of ownership falling after 5 April 1998, the property was used 4/5ths as a shop from which you conducted a trade and the remaining 1/5th of the property was let out as a furnished flat.

There are three whole years in your qualifying holding period for a business asset and four years for a non-business asset (being the bonus year as the property was acquired before 17 March 1998 and three full years after 5 April 1998).

In calculating your taper relief you first need to determine the proportion of the asset which relates to non-business use. In this example this is 1/5th as the letting of the flat is not business use. Next you need to apportion the overall gain into a gain on a business asset and a gain on a non-business asset as follows.

Business asset: £20,000 x 4/5 = £16,000. Your qualifying holding period is three years and so 50% of this part of the gain will be chargeable: £8,000.

Non-business asset: £20,000 x 1/5 = £4,000. Your qualifying holding period is four years (three complete years and the bonus year) and so 90% of this part of the gain will be chargeable: £3,600

The aggregated chargeable gain is £11,600.

Example 11 - asset used only part of the time as a business asset

You acquired a property on 16 March 1995. You dispose of the property on 5 April 2002 and make a gain of £20,000 on the sale.

The property was a business asset until 5 April 2001. Between 5 April 2001 and when the property was sold on 5 April 2002 it remained empty. The gain during this period will be treated as arising on the sale of a non-business asset.

There are three whole years in your qualifying holding period for a business asset and four for a non-business asset (being three whole years and the bonus year as the property was acquired before 17 March 1998).

During the period of ownership falling after 5 April 1998 (6 April 1998 to 5 April 2002) the apportionments are:

- business use proportion $\frac{1096 \text{ days}}{1461 \text{ days}}$ (or) $\frac{3}{4}$
- non-business use proportion $\frac{365 \text{ days}}{1461 \text{ days}}$ (or) $\frac{1}{4}$

Computation

First calculate the gain on the period while the asset was a business asset: £20,000 x $\frac{3}{4}$ = £15,000.

The remainder of the gain will be treated as a gain on a non-business asset: £20,000 x $\frac{1}{4}$ = £5,000.

So £15,000 of the gain qualifies for the business asset taper appropriate to a qualifying holding period of three years. So 50% of this part of the gain will be chargeable: £7,500.

£5,000 of the gain qualifies for the non-business asset taper appropriate to a qualifying holding period of four years. So 90% of this part of the gain will be chargeable: £4,500.

The aggregated chargeable gain is £12,000.

COMPLETING THE CAPITAL GAINS PAGES

Taper relief is applied to the net chargeable gains after the deduction of any losses or other reliefs and before the deduction of the annual exempt amount.

If you do **not** have any allowable losses

You simply reduce the amount of each chargeable gain made in the tax year using the percentage in the table and then deduct the annual exempt amount from the total tapered gains. This will tell you the amount on which you are liable to pay Capital Gains Tax.

Example 13

You acquire a business asset on 1 June 1995 for £15,000. You sell the asset on 1 July 2001 for £40,000. Your untapered chargeable gain (after deducting indexation allowance of £1,275 for the period 1 June 1995 to April 1998) is therefore £23,725. You have no other chargeable gains or allowable losses in the tax year 2001-02.

There are three whole years in your qualifying holding period for taper relief purposes. The taper percentage of gain chargeable for a business asset held for three years is 50%.

The amount liable to Capital Gains Tax is computed as follows:

Chargeable gain £23,725 x 50%	£11,862
<i>minus</i> annual exempt amount	<u>£7,500</u> *
Amount liable to Capital Gains Tax	£ 4,362

* The annual exempt amount shown in this example relates to that available to an individual. The amount may vary if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

If you have allowable losses

The rules for allowing losses of the year and allowing losses carried forward from earlier years are explained in the Notes to the Capital Gains Pages.

You first deduct your allowable losses of 2001-02 from your chargeable gains of 2001-02 without taking account of taper relief. If your net gains are equal to or below the annual exempt amount (£7,500 for individuals, the amount may vary for trustees or personal representatives) you do not have any Capital Gains Tax to pay and there is no need to taper your chargeable gains.

If, after deducting any losses you made in 2001-02, your net chargeable gains for 2001-02 exceed your annual exempt amount, you can further reduce them by deducting any allowable losses from earlier years that you have not yet used and that are available to be used in 2001-02. Deduct these losses to the extent necessary to reduce your chargeable gains to your annual exempt amount. (If as an individual you have gains attributed to you as settlor or beneficiary of a settlement, the set-off of losses is modified and restricted, see the next column.) If you have sufficient losses to do this you do not have any Capital Gains Tax to pay and there is no need to taper your chargeable gains.

If, after deducting all the losses you can, you still have an amount of net chargeable gains greater than your annual exempt amount, you will then need to taper your net gains. Before doing this you should set losses against gains in such a way as to maximise the benefit of taper relief. The examples on page 8 illustrate how this works.

You deduct losses from individual chargeable gains in turn, starting with those where there is no taper relief, and going on to those with the next lowest rate of taper relief (that is to say, the gains with the highest percentage of gain chargeable), and so on. You then apply the appropriate taper percentage to each chargeable gain after the deduction of losses. This process enables you to make maximum use of taper relief on the gains that remain chargeable. You then deduct the annual exempt amount from the total of tapered gains to arrive at the amount on which you are liable to pay Capital Gains Tax.

Your personal losses of any year cannot be set off against gains attributed to you as the settlor or beneficiary of a settlement, as this would involve setting untapered losses against gains which have already been tapered in the hands of the trustees of the settlement before they are attributed to you, see Example 16 on page 9. If you have gains attributed to you in this way for 2001-02 and also have losses brought forward from earlier years the rules are modified and restricted in respect of the set-off of those losses. The effect is that:

- your annual exempt amount is set against any attributed gains first
- any annual exempt amount left over can be used against your personal gains
- losses of 2001-02 are set against personal gains while losses of earlier years are set against your personal gains only to the extent necessary to reduce those gains to the level of any left-over annual exempt amount.

Further guidance together with examples covering the set-off of losses brought forward where there are also attributed gains is included in the Inland Revenue Capital Gains Manual which you can see at any Inland Revenue Enquiry Centre or on our website.

Example 14 - one gain, one loss

You make a chargeable gain on a business asset of £25,000 in 2001-02. There are three whole years in your qualifying holding period for taper relief purposes. The taper percentage of gain chargeable for a business asset held for three whole years is 50%. In 2001-02 you have an allowable loss of £1,000 (it is irrelevant whether the loss arises on a business or non-business asset or how long the asset has been held).

You set your allowable loss against your untapered chargeable gain as follows:

Chargeable gain	£25,000
<i>minus</i> allowable loss	<u>£1,000</u>
Net chargeable gain	£24,000

As £24,000 exceeds the annual exempt amount of £7,500* you then compute the amount of taper relief and your Capital Gains Tax liability as follows:

Apply taper relief £24,000 x 50%	£12,000
<i>minus</i> annual exempt amount	<u>£7,500</u> *
Amount liable to Capital Gains Tax	£4,500

* The annual exempt amount shown in this example relates to that available to an individual. The amount may be different if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

Example 15 - more than one gain, loss fully used against one gain

You make untapered chargeable gains on two assets and a loss on a third asset in 2001-02, as follows:

Asset 1: Untapered chargeable gain £15,000. There are three whole years in the qualifying holding period and the asset was held as a business asset throughout. The taper percentage is 50%.

Asset 2: Untapered chargeable gain of £8,000. There are no whole years in the qualifying holding period. The taper percentage is 100%.

Asset 3: Loss of £5,000

You first establish whether you have to compute any taper relief by setting your losses against your untapered chargeable gains as follows:

Total chargeable gains	£23,000
<i>minus</i> allowable losses	<u>£5,000</u>
Net untapered gains	£18,000

As £18,000 exceeds the annual exempt amount of £7,500* you then compute the amount of taper relief by setting the allowable loss against chargeable gains in the most favourable way. In this case you set the loss of £5,000 wholly against your untapered chargeable gain of £8,000 on Asset 2 since this qualifies for no taper reduction compared with 50% for Asset 1.

So you then compute your taper relief and Capital Gains Tax liability as follows:

Asset 1 £15,000 x 50%	£7,500
Asset 2 Balance of gain £3,000 (£8,000 <i>minus</i> £5,000) x 100%	<u>£3,000</u>
Total net tapered gains	£10,500
<i>minus</i> annual exempt amount	<u>£7,500</u> *
Amount liable to Capital Gains Tax	£3,000

* The annual exempt amount shown in this example relates to that available to an individual. The amount may be different if the disposal is made by the personal representatives of a deceased individual or by trustees of a settlement.

Example 16 - losses and attributed gains

In 2001-02 you make a gain of £9,000 on the disposal of shares and also incur a loss of £10,000 on the sale of a property. You also have gains of £16,000 attributed to you as beneficiary of a settlement. The annual exempt amount for 2001-02 is £7,500.

Your computation is as follows:

Chargeable gain	£9,000
<i>minus</i> allowable losses	<u>£9,000</u>
	Nil
Attributed gains	£16,000
Annual exempt amount	<u>£7,500</u>
Chargeable	£8,500

The balance of your personal losses, £1,000, can be carried forward.

APPORTIONMENT AS A RESULT OF THE FINANCE ACT 2000 CHANGES

Example 12 on page 6 showed how to calculate taper relief where you disposed of an asset that became a business asset on 6 April 2000. In order to simplify the calculation you may use the Taper Percentage Apportionment Table on pages 10 and 11 when completing Tax Returns for assets that:

- you owned before 6 April 2000; **and**
- were non-business assets up to 5 April 2000; **and**
- were business assets from 6 April 2000 up to the date of disposal.

You should apply the percentage in the Table to the total chargeable gain. Using the Table saves you apportioning the gain between a gain on a business asset and a gain on a non-business asset, and making separate taper calculations.

You should **not** use the Table if:

- you wish to offset a loss against one or both of the apportioned chargeable gains on the asset
- the anti-avoidance provisions mentioned in this Help Sheet apply to you.

The Table calculates taper relief based on periods to the 15th of every month, except April. For April, we have used disposals on the 3rd and 18th. As a result, if you make a disposal after these dates in each month, a smaller aggregate chargeable gain may result if the calculation is made on a strict basis as shown in Example 12 on page 6.

Where you dispose of an asset in the same month as the month you acquired it, but in a later year, check whether the disposal occurs on or after the anniversary of the date you acquired it. For example, if you acquire the asset on 9 January 1999 and dispose of it in January 2002 you can only use the percentage shown for January 2002 if the disposal occurred on or after 9 January 2002.

If the disposal is between 1 and 8 January use the percentage shown in the previous month, December 2001.

Example 17 - how to use the Table on pages 10 and 11

You acquire shares in a listed trading company of which you are an employee on 11 February 1999. No further acquisitions of shares are made. They were not business assets before 6 April 2000.

On 15 February 2002 you dispose of all the shares and make a gain of £24,000. The shares are business assets from 6 April 2000 to 15 February 2002. You do not wish to use any capital losses against this gain and the anti-avoidance rules do not apply.

The months of acquisition and disposal are both February but as the date of disposal is after the anniversary of the date of acquisition you can use February for the month of disposal. If you made the disposal between 1 and 10 February you would have to use January as the month of disposal.

The Table shows that if the month of acquisition is February 1999 and the month of disposal is February 2002 then 67.1% of the gain is chargeable, or £24,000 x 0.671 = £16,104.

To complete your Return put the relevant gain in column H on Page CG3 in either line 9 or 10, the Table percentage in column J and the tapered gain in column M. Indicate in column G that the Table has been used by writing 'Table used'.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

Taper Percentage Apportionment Table

Time of acquisition	Time of disposal					
	April 2001	May 2001	June 2001	July 2001	August 2001	Sept 2001
	%	%	%	%	%	%
before 17/3/1998	76.4	75.8	75.1	74.4	73.8	73.2
17/3/1998 to 5/4/1998	79.7	79.0	78.2	77.5	76.8	76.1
April 1998 (after 6/4)	79.5	78.8	78.0	77.3	76.6	76.0
May 1998	91.2	78.4	77.6	76.9	76.2	75.5
June 1998	90.9	90.5	77.1	76.4	75.7	75.0
July 1998	90.6	90.2	89.8	75.9	75.2	74.5
August 1998	90.3	89.9	89.5	89.1	74.6	74.0
September 1998	90.0	89.6	89.2	88.8	88.4	73.4
October 1998	89.7	89.3	88.8	88.4	88.0	87.6
November 1998	89.3	88.9	88.5	88.1	87.6	87.3
December 1998	88.9	88.5	88.1	87.7	87.3	86.9
January 1999	88.5	88.1	87.7	87.3	86.9	86.5
February 1999	88.1	87.7	87.2	86.8	86.4	86.0
March 1999	87.6	87.2	86.8	86.4	86.0	85.6
April 1999	87.1	86.7	86.3	85.9	85.5	85.1
May 1999	93.3	86.2	85.7	85.3	84.9	84.6
June 1999	93.0	92.8	85.1	84.7	84.3	84.0
July 1999	92.6	92.5	92.2	84.1	83.7	83.4
August 1999	92.3	92.1	91.9	91.7	83.0	82.7
September 1999	91.8	91.7	91.5	91.3	91.1	82.0
October 1999	91.4	91.3	91.1	90.9	90.7	90.6
November 1999	90.9	90.8	90.6	90.4	90.3	90.2
December 1999	90.3	90.2	90.1	89.9	89.8	89.7
January 2000	89.7	89.6	89.5	89.4	89.3	89.2
February 2000	88.9	88.9	88.8	88.7	88.7	88.6
March 2000	88.1	88.1	88.1	88.1	88.0	88.0
before 6/4/2000	87.6	87.6	87.6	87.6	87.6	87.6

Taper Percentage Apportionment Table

	Time of disposal						
	October 2001	Nov 2001	Dec 2001	January 2002	February 2002	March 2002	5 April 2002
	%	%	%	%	%	%	%
before 17/3/1998	72.7	72.2	71.7	71.2	70.7	70.3	70.1
17/3/1998 to 5/4/1998	75.5	74.9	74.4	73.8	73.3	72.9	72.6
April 1998 (after 6/4)	75.4	74.8	74.2	73.7	73.1	72.7	72.4
May 1998	74.9	74.3	73.8	73.2	72.7	72.2	72.1
June 1998	74.4	73.8	73.3	72.7	72.2	71.7	71.6
July 1998	73.9	73.3	72.7	72.2	71.7	71.2	71.1
August 1998	73.3	72.7	72.2	71.6	71.1	70.6	70.6
September 1998	72.7	72.1	71.6	71.0	70.5	70.1	70.0
October 1998	72.1	71.5	71.0	70.4	69.9	69.5	69.4
November 1998	86.9	70.9	70.3	69.8	69.2	68.8	68.8
December 1998	86.5	86.2	69.6	69.1	68.6	68.1	68.1
January 1999	86.1	85.8	85.5	68.4	67.8	67.4	67.4
February 1999	85.7	85.4	85.1	84.8	67.1	66.7	66.7
March 1999	85.3	84.9	84.6	84.4	84.1	65.9	66.0
April 1999	84.8	84.4	84.2	83.9	83.6	83.4	65.2
May 1999	84.2	83.9	83.7	83.4	83.1	82.9	83.0
June 1999	83.7	83.4	83.1	82.8	82.6	82.4	82.4
July 1999	83.1	82.8	82.5	82.3	82.0	81.8	81.9
August 1999	82.4	82.1	81.9	81.6	81.4	81.2	81.3
September 1999	81.7	81.4	81.2	81.0	80.8	80.6	80.7
October 1999	81.0	80.7	80.5	80.3	80.1	79.9	80.1
November 1999	90.1	79.9	79.7	79.5	79.3	79.2	79.4
December 1999	89.6	89.5	78.9	78.7	78.6	78.4	78.7
January 2000	89.1	89.0	89.0	77.8	77.7	77.6	77.9
February 2000	88.5	88.5	88.5	88.4	76.7	76.7	77.0
March 2000	88.0	88.0	87.9	87.9	87.9	75.8	76.1
before 6/4/2000	87.6	87.6	87.6	87.6	87.6	87.6	75.1