

Understanding Capital Gains Tax

When Are You Subject To CGT? There are certain transactions involving assets for which you can expect to pay CGT. These may include selling an asset (or a part of one) or receiving payment for an asset that was damaged. CGT only plays a role when an asset is disposed of in some way. There are also circumstances involving the disposal of assets in which you're not liable to pay CGT. For example, if you sell your personal car, UK government gilts, your primary residence, or personal property worth less than £6,000 at the time of the transaction, CGT doesn't apply. The amount of money you pay in CGT will depend largely upon how long you owned the asset before disposing of it. The longer you own the asset, the lower percentage CGT you'll have to pay.

Possible Exemptions The government has allowed for a number of potential exemptions from CGT (again, consult your accountant regarding whether you qualify for these exemptions). For example, gifts made to charities are typically exempt. So are most securities held within ISAs and PEPs. Also, any asset for which the ownership transfers between spouses is also exempt from CGT.

Managing Your Potential Capital Gains Tax You should be keeping track of your gains and losses for all of your assets. It's possible that you may be able to counterbalance your gains with losses that were previously recorded. If you own assets that have sustained a loss and you have little hope of recouping your investment in them, consider disposing of them to offset any gains in your portfolio (thereby lowering CGT due on the gains). If possible, try to realize capital gains under the lowest tax band. For example, if your spouse is taxed at a lower rate than you, consider transferring assets into your spouse's name. With the advice of a trained accountant, you can help minimize the amount of CGT you'll have to pay each year. And that's nearly as good as money in the bank.

About the Author

Written on behalf of Source [Independent Financial Advisers](#)

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