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## Understanding Capital Gains Tax

More of us these days are facing the ugly prospect of dealing with Capital Gains Tax (CGT). The reason is two fold. Firstly, the personal allowance has now reduced to only £3,000 per year and secondly, the recent rise, particularly over the last year in the value of our investments.

Here is an outline of CGT.

Capital Gains Tax (CGT) is a tax on the profit (the "gain") made when you sell or "dispose of" an asset that has increased in value, such as shares, unit trusts and property. You are taxed on the profit, not the total sale amount. You only pay CGT if your total gains exceed an annual tax-free allowance (£3,000 for individuals, £1,500 for trusts in 2025/2026).

### Key aspects of Capital Gains Tax:

- **What is taxed:** Common items include buy-to-let properties, personal possessions over £6,000 (excluding cars), shares not in an ISA/pension, and business assets.
- **What is exempt:** Your main home (usually), ISA/Pensions investments, and personal belongings sold for under £6,000 are generally exempt.
- **Calculating the Gain:** Generally, the gain is the sale price minus the original purchase price and costs (e.g., solicitor/agent fees, improvements).
- **Losses:** You can offset losses against gains to lower your overall tax liability.
- **Rates:** Rates depend on your income and the asset type. Basic rate taxpayers pay 18% on most assets (non-residential), while higher rate taxpayers and trusts pay 24%.
- **Reporting:** If you have to pay, you must report and pay via the UK government [HMRC](#) within 60 days for property.

### When you do not pay CGT:

- if your total taxable gains are under the annual exempt amount.
- Investments held within a Cash or Investment ISA or PEP wrapper.
- Gains on personal motor cars.



Even as a nil-rate taxpayer, you must report Capital Gains Tax (CGT) to HMRC if you sell UK residential property within 60 days of completion. For other assets (shares), report via Self Assessment in January following the tax year-end. If not in Self Assessment, use the "real time" CGT sen 6



**Key Considerations:**

- **Nil Rate Taxpayer:** If your total taxable income and capital gains fall within the Nil Rate Band, you may not owe tax, but you still need to report the disposal if it is a UK property.

- **Capital Losses:** For capital losses to be used to offset future gains, they must be claimed via a Self Assessment tax return.

Unit trust companies and investment platforms in the UK such as Fidelity, Quilter, Aviva etc. do not usually report specific, detailed capital gains calculations for individual client accounts directly to HMRC in real-time.

However, they **do report transaction data** to HMRC, and they are legally obliged to provide you with tax certificates to enable you to calculate and report your own gains.

We can also provide you with a CGT report on Collective Investment Account or General Investment Accounts.

**How Capital Gains Reporting Works:**

- **Platform/Company Responsibility:** Unit trust managers and platforms (e.g., AJ Bell, Fidelity, Hargreaves Lansdown, Quilter, Aegon, Aviva) are mandated to provide you with an end-of-year consolidated tax statement (or tax certificate). This document typically outlines income (dividends, interest) and provides a summary of disposals (sales).
- **Your Responsibility:** You are generally responsible for calculating your own capital gains tax liability and reporting it to HMRC, particularly if your total gains exceed the tax-free allowance. We can provide a CGT report from your provider



- **Direct Reporting to HMRC:** While they don't send a simple "Client X owes £Y" report, HMRC uses extensive data-gathering powers to obtain "bulk information" from financial institutions. HMRC matches this transaction date against your Self Assessment tax return.
- **Reporting Thresholds:** Individuals must report capital gains on their self-assessment tax return if the total proceeds from all sales exceed £50,000, even if no tax is due.
- **ISAs:** If the unit trust is held within an ISA, there is no reporting obligation as gains are tax-free.

Hope this help!

Best regards  
Ray

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