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SPOTLIGHT ON:

Capital Gains Tax

DONACHIE
CHARTERED ACCOUNTANTS

DONACHIECA.COM
INFO@DONACHIECA.COM
0141 237 6869

WHAT TO CHECK BEFORE SELLING, GIFTING OR TRANSFERRING ASSETS

Capital Gains Tax can arise in more situations than simply selling an investment for a profit. Giving an asset to a family member, transferring ownership, exchanging one investment for another or selling something for less than its full value can all count as disposals for Capital Gains Tax purposes.

The tax is charged on the gain rather than the total amount received. However, the amount ultimately payable depends on several factors, including the type of asset, its original cost, your income, previous losses, available tax reliefs and who receives the asset.

The timing of a transaction can also affect the result.

HMRC's latest available annual statistics show that 378,000 taxpayers incurred Capital Gains Tax liabilities of £12.1 billion in 2023/24, based on total taxable gains of £65.9 billion. These remain the latest complete annual figures available as at 7 August 2026, with HMRC's next annual statistical release expected later in 2026.

If you are considering selling, gifting or transferring a valuable asset, working out the tax position before committing to the transaction can prevent unexpected bills and identify reliefs that may otherwise be missed.

WHAT COUNTS AS A DISPOSAL?

Capital Gains Tax, or CGT, generally applies when you dispose of a chargeable asset that has increased in value.

A disposal does not have to involve a conventional sale. It can include:

- Selling an asset.
- Giving an asset away.
- Transferring ownership to someone else.
- Exchanging one asset for another.
- Receiving compensation for an asset that has been lost or destroyed.

This means a transaction can create a CGT liability even if you receive little or no cash.

Common chargeable assets include second homes and investment properties, shares held outside an ISA, business interests, land, certain valuable personal possessions and cryptoassets.

Your main home will often qualify for Private Residence Relief, but that exemption is not automatic in every situation.

THE CAPITAL GAINS TAX ALLOWANCE FOR 2026/27

Individuals have a £3,000 annual exempt amount for 2026/27. This means the first £3,000 of your net chargeable gains for the tax year can normally fall outside CGT. For trusts, this is £1,500

The allowance applies across your taxable disposals for the whole year rather than separately to each asset. You cannot carry an unused annual exempt amount forward to another tax year.

For example, suppose you make:

£8,000 gain on shares
£2,000 loss on another investment

Your net gain is **£6,000**.

After deducting the £3,000 annual exempt amount, £3,000 would remain chargeable to CGT, assuming no other gains, losses or reliefs apply.

The reduction in the annual exempt amount over recent years means relatively modest gains can now create a reporting or tax liability.

WHAT ARE THE CGT RATES FOR 2026/27?

For disposals from 6 April 2026, the main CGT rates for individuals are:

Tax position	CGT rate
Gain falling within the available basic rate band	18%
Gain falling above the available basic rate band	24%
Gains qualifying for Business Asset Disposal Relief	18%
Gains qualifying for Investors' Relief	18%

The standard Personal Allowance remains £12,570 for 2026/27 and the UK basic rate limit used for CGT purposes is £37,700. The interaction between income and gains determines how much of a taxable gain falls at 18% and how much falls at 24%. Special rules apply when calculating the available basic rate band for Scottish taxpayers.

A person who is already above the relevant basic rate band will normally pay 24% on their taxable gains unless a specific relief provides a different rate.

Someone with unused basic rate band may pay 18% on part or all of their gain.

This is one reason your expected income for the tax year should form part of any CGT calculation.

WORK OUT THE REAL GAIN BEFORE ESTIMATING THE TAX

CGT does not normally apply simply to the difference between the amount originally paid and the amount received.

Certain costs can reduce the chargeable gain.

Depending on the asset, these may include the original purchase price, Stamp Duty or Stamp Duty Land Tax paid on acquisition, legal and professional fees associated with buying and selling, valuation fees and qualifying expenditure that enhanced the asset's value.

For property, an extension or other capital improvement may qualify, while normal repairs and maintenance generally do not. The improvement normally needs to remain reflected in the asset when it is disposed of.

Keeping purchase documents and records of improvement expenditure can therefore make a significant difference several years later.

HMRC expects taxpayers to retain evidence including contracts, receipts, invoices, professional fees and valuations used to calculate gains.

GIFTING AN ASSET DOES NOT AUTOMATICALLY AVOID CGT

One of the biggest misconceptions surrounding CGT is that giving an asset away removes the tax charge because no money has been received. Usually, it does not.

When you give a chargeable asset to another person, HMRC will generally treat the disposal as taking place at its market value on the date of the gift.

The same principle can apply if you deliberately sell an asset for less than it is worth to help the buyer.

For example, suppose you bought an investment property for £150,000 and it is now worth £300,000.

Giving the property to an adult child for nothing does not normally produce a CGT disposal value of £0. Broadly, the calculation starts by treating you as disposing of the property at its £300,000 market value.

The resulting gain then needs to be calculated after allowable costs and any available reliefs.

This can create a tax bill without the cash proceeds that would normally fund it.

Transfers to children, grandchildren and other family members should therefore be reviewed before the gift takes place.

Inheritance Tax, Stamp Duty Land Tax and other tax rules may also apply depending on the transaction, so CGT should not be considered on its own.

DIFFERENT RULES APPLY TO SPOUSES AND CIVIL PARTNERS

Transfers between spouses and civil partners who live together generally take place on a no gain/no loss basis for CGT.

The person transferring the asset does not normally realise an immediate taxable gain. Instead, the receiving spouse or civil partner effectively inherits the existing CGT history of the asset.

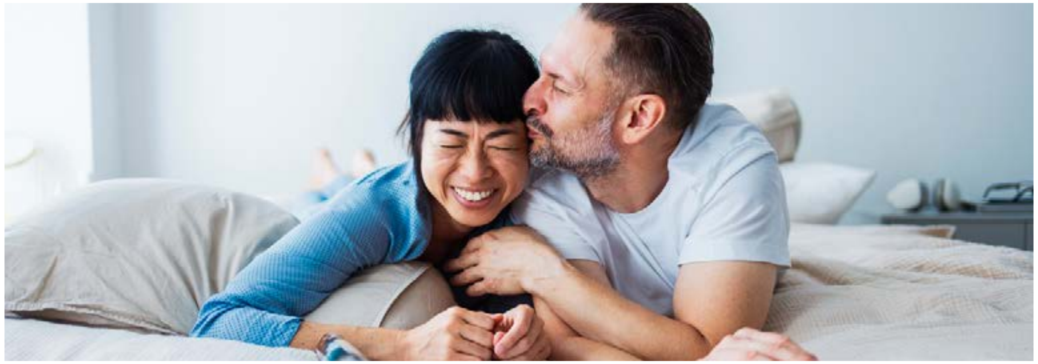
This can offer legitimate tax planning opportunities.

For example, couples may want to consider ownership before selling an investment if one spouse has:

- Unused annual exempt amount.
- Capital losses available.
- More unused basic rate band.
- A different proportion of the asset already in their ownership.

However, a transfer needs to represent a genuine change in beneficial ownership. It should take place before the eventual disposal and should not simply be recorded retrospectively after a sale has been agreed.

A transfer does not eliminate the underlying gain. It changes which person owns the asset and may therefore change how the eventual gain is taxed.



TAKE CARE FOLLOWING SEPARATION OR DIVORCE

Special CGT rules apply when spouses or civil partners separate. For disposals taking place on or after 6 April 2023, separating spouses and civil partners can generally make no gain/no loss transfers until the earlier of:

- The end of the third tax year after the tax year in which they ceased living together.
- The date on which a court grants the divorce or dissolution.

Where assets are transferred under a formal divorce or separation agreement or relevant court order, no gain/no loss treatment can continue without the normal three-year limit.

There are also specific provisions concerning the former family home and cases where one party retains a financial interest in a future sale.

The tax position should therefore be considered while financial arrangements are being agreed rather than after assets have already changed hands.

CHECK THE POSITION BEFORE SELLING PROPERTY

An investment property, second home, land or other property that does not qualify fully for Private Residence Relief can produce a taxable gain.

Allowable acquisition, disposal and improvement costs should be established before calculating the liability.

If CGT is due on the sale of most UK residential property, it generally needs to be reported and paid within 60 days of completion.

This deadline can arrive well before the normal Self Assessment deadline.

Property owners should therefore calculate the expected gain and identify the necessary records before completion where possible.

DO NOT ASSUME YOUR MAIN HOME IS ALWAYS COMPLETELY EXEMPT

Private Residence Relief (PRR) means many people pay no CGT when selling their main home. You can only have one PRR residence at a time.

Full relief will normally apply where the property has been your only or main home throughout your ownership, you have not let part of it out in a way that restricts relief, no part has been used exclusively for business, the property and grounds meet the relevant conditions and you did not acquire the property primarily to make a gain.

The position needs more attention where you have:

- Owned more than one home.
- Let the property for part of your ownership.
- Lived elsewhere for extended periods.
- Used part of the property exclusively for business.
- Significant land or grounds.
- Changed how the property was occupied over time.

Where a property has qualified as your main residence at some point, the final nine months of ownership will generally qualify for Private Residence Relief even if you were no longer living there. Different provisions can apply for certain disabled people and long-term care home residents.

Letting Relief is now much more restricted than it was historically. It is generally relevant where you shared occupation of the home with a tenant, and relief can be limited to a maximum of £40,000 per owner, subject to the detailed conditions.

PROPERTY SIZE CAN ALSO AFFECT RELIEF

Private Residence Relief normally includes the home and its garden or grounds. The standard permitted area is 0.5 hectares, including the site of the dwelling.

A larger area can sometimes qualify where the character and size of the property make the additional land necessary for the reasonable enjoyment of the residence, but additional conditions apply.

This can become relevant when selling larger homes, properties with substantial gardens or parts of the land separately from the house.

REVIEW SHARES AND INVESTMENTS BEFORE SELLING

You may have to pay CGT when disposing of shares, unit trusts and other investments held outside tax-exempt wrappers.

Shares held within an ISA do not create a CGT liability when sold. UK Government gilts and certain other investments are also exempt.

Where shares have been accumulated over several years, establishing their CGT cost can require more than looking at the price of the first purchase.

Special identification rules can apply where you buy and sell shares in the same company around the same date. Corporate actions, reorganisations, rights issues and previous transfers between spouses can also affect the base cost.

Before a substantial disposal, check the complete acquisition history rather than relying solely on a current investment-platform statement.

CRYPTO TRANSACTIONS CAN CREATE TAXABLE DISPOSALS

Cryptoassets are also within the CGT rules for many individual investors. A disposal can occur when you:

- Sell tokens for sterling or another currency.
- Exchange one type of token for another.
- Use cryptoassets to buy goods or services.
- Give tokens to another person other than a spouse, civil partner or qualifying charity.

Exchanging Bitcoin for another cryptoasset, for example, can therefore create a taxable disposal even though no sterling enters your bank account.

Good transaction records become particularly important for anyone who trades through several exchanges or wallets.

VALUABLE PERSONAL POSSESSIONS CAN ALSO FALL WITHIN CGT

CGT is not restricted to property and investments. Certain personal possessions can become chargeable where their disposal value exceeds £6,000.

Examples include jewellery, paintings, antiques, coins, stamps and collections. Private cars are generally exempt. Certain assets with a predictable useful life of 50 years or less can also qualify for separate exemptions.

Special rules apply when individual items form a set, so dividing a valuable collection into separate transactions does not necessarily produce a separate £6,000 limit for every item.

CONSIDER RELIEF BEFORE GIFTING BUSINESS ASSETS

A gift of a business or shares in a family trading company can create a sizeable gain even where nothing is paid by the recipient.

Gift Hold-Over Relief may allow qualifying gains to be deferred.

Broadly, the donor does not pay CGT immediately on the part of the gain that is successfully held over. Instead, the recipient takes a reduced acquisition cost, so the deferred gain can become taxable when they eventually dispose of the asset.

The relief can apply to qualifying business assets and certain shares, including shares in some unlisted trading companies. A joint claim will normally be needed.

This can make the relief useful in family business succession, but it defers tax rather than necessarily removing it.

A change to the calculation of Gift Hold-Over Relief for certain company shares has been announced to take effect for disposals from 6 April 2027. It does not apply to 2026/27 disposals, but anyone planning a business succession extending into the next tax year should review the legislation before proceeding.

BUSINESS ASSET DISPOSAL RELIEF CHANGED IN APRIL 2026

People selling a business or qualifying shares should also check whether Business Asset Disposal Relief, or BADR, applies.

For qualifying disposals made from 6 April 2026, the BADR rate is 18%.

This increased from 14% in 2025/26 and 10% for qualifying disposals on or before 5 April 2025. The lifetime limit on qualifying BADR gains remains £1 million.

Conditions normally need to have been met for at least two years before disposal, so eligibility should be checked well before a business or share sale completes.

DO NOT FORGET CAPITAL LOSSES

Previous investment losses can reduce a future CGT bill if they have been properly claimed. Allowable losses arising in the same tax year are generally set against gains first.

Unused losses from earlier years can then be used against gains, although the rules are designed so brought-forward losses do not normally reduce gains below the annual exempt amount unnecessarily.

A loss does not always need to be claimed immediately. HMRC generally allows a taxpayer to claim an allowable capital loss up to four years after the end of the tax year in which the disposal took place.

Before selling a valuable asset, check whether previously reported losses are available.

THE TAX YEAR CAN AFFECT THE RESULT

The tax year runs from 6 April to the following 5 April. Where you have control over the timing of a disposal, completing transactions in different tax years can sometimes change the CGT result because each year has its own annual exempt amount and income position.

However, determining the CGT disposal date is not always as simple as looking at when money arrives in your bank account.

For many transactions completed under an unconditional contract, the date of the contract determines the CGT disposal date rather than the date on which payment or completion happens. The disposal date can determine the tax year, applicable rate, available annual exemption and reporting requirements.

For UK residential property, the separate 60-day reporting deadline is generally measured from completion.

Tax-year planning should therefore happen before contracts become binding.

INHERITING AN ASSET PRODUCES A DIFFERENT CGT STARTING POINT

Death does not normally create the same CGT charge as giving an asset away during someone's lifetime.

For CGT purposes, assets inherited from an estate generally use their market value at the date of death as the beneficiary's starting value, subject to the relevant rules and any value agreed for Inheritance Tax purposes.

If the beneficiary later sells the asset, the subsequent gain is broadly calculated by reference to that probate or date-of-death value rather than what the deceased originally paid.
This creates a significant distinction between lifetime gifts and inherited assets.

However, Inheritance Tax and estate-planning considerations also need to be taken into account, so the CGT outcome should not determine succession decisions by itself.

WHAT TO CHECK BEFORE YOU DISPOSE OF AN ASSET

Before selling, gifting or transferring a significant asset, establish:

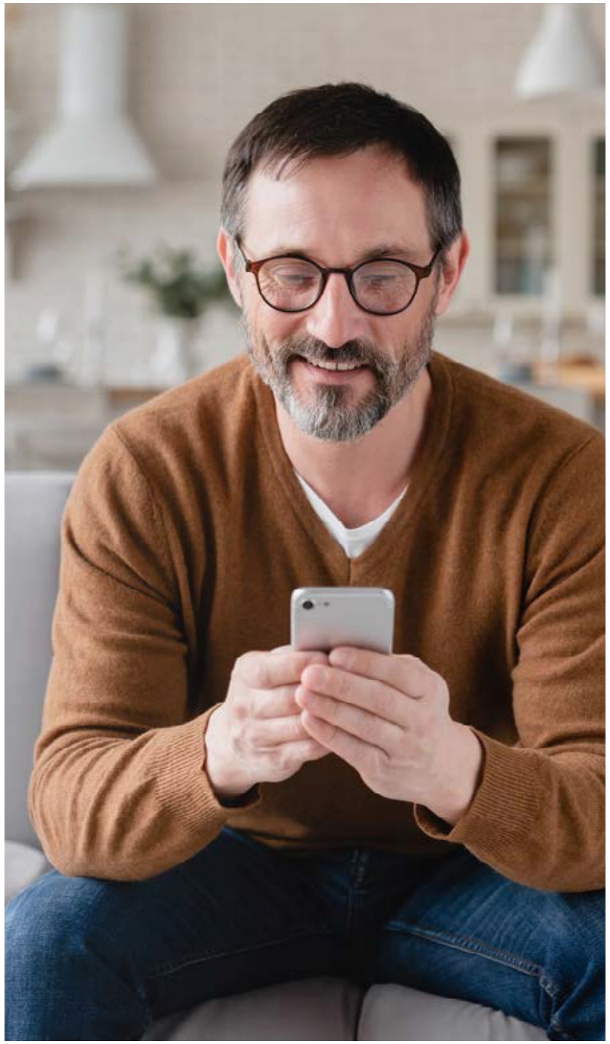
- What you originally paid and whether you have evidence.
- The current market value, particularly for gifts or transfers between connected people.
- Allowable acquisition, disposal and improvement costs.
- Any previous capital losses available to claim.
- Your other expected gains during the tax year.
- Your expected taxable income, which may affect whether gains are taxed at 18% or 24%.
- Whether an exemption or relief applies, including Private Residence Relief, Gift Hold-Over Relief or Business Asset Disposal Relief.
- Whether transferring ownership before sale is appropriate, particularly between spouses or civil partners.
- The correct CGT disposal date.
- How the transaction interacts with other taxes, including Inheritance Tax and Stamp Duty Land Tax where relevant.
- Whether a 60-day property reporting deadline applies.
- Whether you will have enough cash available to pay the resulting tax.

The best point to consider these questions is before the transaction becomes binding.

Once a sale has completed or an asset has legally changed ownership, many of the available planning options may no longer be possible.

Capital Gains Tax should therefore form part of the decision to sell, gift or transfer an asset rather than being treated solely as a reporting exercise afterwards.

If you're planning to sell, gift or transfer an asset, contact us before taking action so we can help you understand the potential Capital Gains Tax implications.



DONACHIE

CHARTERED ACCOUNTANTS

Suite 23, Templeton Business Centre, 62 Templeton Street, Glasgow, G40 1DA