Chargeable gains and Stamp Taxes – Pilot paper As

Answer 1

	£	
Sale proceeds	675,000	
Less costs of sale	(2,250)	½
Net sale proceeds	672,750	
Less original cost	(254,250)	½
Less enhancement expenditure	(75,000)	½
	343,500	
Less PRR (W1)	(272,936)	
Less Letting relief (W1)	(40,000)	
Chargeable gain	30,564	
Less AEA	(3,000)	½
Taxable gain	£27,564	
Capital Gains Tax @ 24%	£6,615	½
After-tax proceeds: £(672,750 – 6,615)	£666,135	1

(W1) PRR and letting relief

Period of ownership: 1 April 2004 – 1 October 2025 = 21 years and 6 months (258 months)

	Total	*Occupied*	*Let*	*Other*	
01/04/2004 – 01/10/2005	18	18			½
01/10/2005 – 01/10/2013	96				
- Up to 4 years UK work		48			½
- Up to 3 years any reason		36			½
- Balance chargeable				12	½
01/10/2013 – 01/10/2014	12	12			½
01/10/2014 – 01/10/2025	132				
- Last 9 months		9			½
- Balance of 123 months:					
2/3 occupied		82			½
1/3 let			41		½
	258	205	41	12	

PRR: 205/258 x £343,500 = £272,936 ½

Letting relief = Lower of: ½

- 41/258 x £343,500 = £54,587 ½
- £272,936 ½
- £40,000 ½

Answer 2

1) 2018: SDLT on freehold office building:

£		£	
150,000	x 0%	-	*
100,000	x 2%	2,000	1/2
500,000	x 5%	25,000	1/2
£750,000		£27,000	

Due date: 15 January 2018. 1/2

2026: SDLT on lease premium:

£		£	
150,000	x 0%	-	*
100,000	x 2%	2,000	1/2
750,000	x 5%	37,500	1/2
£1,000,000		£39,500	

NPV of rent: £60,000 x 24.26405323 = £1,455,843 1

SDLT thereon:

£			
150,000	x 0%	-	1/2*
1,305,843	x 1%	13,058	1/2
£1,455,843		£13,058	

Due date: 15 April 2026. 1/2

** for £150,000 at 0% in each calculation*

2) Chargeable gain

	£	
Proceeds	1,350,000	
Less cost	(750,000)	1/2
Less SDLT	(27,000)	1/2
Gain	573,000	
Less rollover relief (balancing figure)	(223,000)	1/2
Chargeable gain £(1,350,000 – 1,000,000)	£350,000	1/2

The replacement asset (the 55-year lease) is a depreciating asset. 1/2

Therefore, the deferred gain of £223,000 is <u>not rolled over into the base cost</u> of the leasehold office building, but instead is frozen and will become chargeable on the <u>earlier of</u>: 1/2 1/2

- The leasehold office building is disposed of; 1/2
- The leasehold office building ceases to be used in the trade; 1/2
- 1 April 2036 (10 years from the acquisition of the leasehold office building). 1/2

Answer 3

	£	
Proceeds	26,500	
Less cost (W1)	(12,600)	1/2
Unindexed gain	13,900	
Less indexation £(15,177 – 12,600)	(2,577)	1/2
Chargeable gain	£11,323	

(W1) Share pool

	Number	*Cost £*	*Indexed cost £*	
15 July 2010: bought	5,000	13,500	13,500	1/2
Index to May 2014:				
255.9 – 223.6/223.6 x £13,500			1,950	1/2
18 May 2014: rights 1 for 5	1,000			1/2
At £4.50 per share		4,500	4,500	1/2
	6,000	18,000	19,950	
30 March 2017: bonus 2 for 3	4,000	-	-	1/2
	10,000	18,000	19,950	
Index to December 2017:				
278.1 – 255.9/255.9 x £19,950			1,731	1/2
	10,000	18,000	21,681	
1 November 2022: sale	(3,000)	(5,400)	(6,504)	1/2
	7,000	12,600	15,177	
20 February 2026	(7,000)	(12,600)	(15,177)	1/2
Pool carried forward	Nil	Nil	Nil	

Answer 4

Any percentage holding of shares in an unquoted trading company is a qualifying asset for gift relief. 1

A joint claim by Austin and Amanda must be made by 5 April 2030. 1

The conditions that must be satisfied for a claim for business asset disposal relief (BADR) to be available are as follows:

- Austin must own at least 5% of the shares in the company. 1/2
- The company must be a trading company. 1/2
- Austin must have owned the shares and been an employee of the company for at 1/2
  least two years prior to the disposal. 1/2
- Austin must have a sufficient amount of his BADR lifetime limit of £1 million of gains 1/2
  available.

A claim for BADR must be made by Austin by 31 January 2028. 1/2

Answer 5

There was a relief from ATED charges from 1 June 2019 to 1 December 2025 as the property was used as part of the company's property rental business.	1
The ATED charge for 2025/26 is based on the value of the property at 1 April 2022 of £5.6 million, so £72,700.	1
However, as relief is available for the period 1 April 2025 – 30 November 2025, the charge is from 1 December 2025 to 31 March 2026 and is therefore 4/12 x £72,700 = £24,233.	1
The due date for payment is 30 April 2026.	1

Answer 6

	£	
Gross proceeds (£7,125 x 100/95)	7,500	1
Less costs of sale (£7,500 x 5%)	(375)	
	7,125	
Less cost (probate value)	(5,700)	1/2
Chargeable gain	£1,425	
5/3 x £(7,500 – 6,000)	£2,500	1
Chargeable gain is the lower of £1,425 and £2,500, so	£1,425	1/2

Answer 7

	£	
Gain on the sale of the residential property	22,600	
Loss on the sale of the shares	(3,375)	1/2
Capital losses brought forward	(4,500)	1/2
Annual exempt amount	(3,000)	1/2
Taxable gain	£11,725	1/2*
Capital Gains Tax @ 24%	£2,814	1/2
Due date 30 October 2025.		1/2

** for nothing else being included.*