

## Capital gains tax in the headlines

The proposal to bring in a flat charge for capital gain at 18%, rather than treating the gain as the top slice of the tax payer's income in the year in question, could leave many taxpayers facing a higher capital gains tax (CGT) liability in future.

At present, even where a 40% liability exists, this is only on the gain after calculating the impact of inflation during any period of ownership prior to March 1998 and after tapering the gain for each year of ownership after that date. However, under the proposed changes, a CGT charge at 18% on the entire uplift in the asset value between the date of acquisition (or March 1982, if later) and the date of disposal, could leave many taxpayers facing a higher liability in future. This could be particularly the case for older taxpayers who, in retirement, may not be making full use of their basic rate tax band and who may have had a long-standing holiday home which they now wish to dispose of by sale or by giving it to the younger generation of the family.

The proposals have been subject to specific criticism because they favour 'short-termism' - those who look to churn investments for short term gain - rather than those who invest for the longer term benefit of a business. It is likely that the provisions that will be embodied in the Finance Act 2008 will address some of these issues so that the changes to CGT may not be as sweeping as originally announced.

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