

Not all over for Capital Gains

By Paul Corren, Corren Troen

Many of us were awaiting the emergency budget with some trepidation. Whilst the medicine was certainly handed out in good measure, the much talked about capital gains tax changes were perhaps less painful than expected.

One of the main changes to capital gains tax was the increase in rate of tax payable for higher rate tax payers. Where the taxable income and gains are below the upper limit of the income tax basic rate band (£37,400 for 2011), the existing rate of 18% will apply. Gains will be calculated net of available capital losses and the annual exemption, and the new 28% rate will apply to gains above that limit. Those who are non UK domiciled and paying the remittance basis charge will pay a flat rate of 28%, regardless of their taxable income or gains.

This increase will affect a number of our Scandinavian clients who have opted to be taxed on the remittance basis. It is also likely to affect those who own second homes in the UK when they are eventually sold.

A more positive change to come out of the budget was the increase in the lifetime limit of entrepreneurs' relief. Entrepreneurs' relief is a relief from capital gains tax for gains arising on the disposal of a business. It currently provides for a rate of 10% capital gains tax for qualifying business assets, up to a lifetime limit of £2 million.

This limit has now been increased from £2 million to £5 million, which will no doubt be welcomed by many of our clients with UK businesses, which they plan to sell at some point.

For those people who can benefit from offshore trusts, the capital gains tax charge on certain capital distributions is increased by 10% for each year between realisation of the gain and distribution. This is therefore entirely reliant on the individual's position but the maximum rate (reached after a six year gap) will now be 44.8% as opposed to the 28.8% it has been.



The above changes will no doubt receive a mixed reaction from our many Scandinavian clients.

If you would like to discuss how these changes may affect you, please contact Paul Corren or Liz Kristensen at Corren Troen on 0207 592 8900.