

Example

Mary enters into a monthly savings scheme in September 1995 in which she invests £100 a month on the first of each month in income units in an AUT. No distributions or other income allocations are reinvested in the fund on her behalf. The accounting year of the unit trust begins on 1 July each year and ends on 30 June in the following year. She makes her last payment in April 2002, and disposes of all her units on 25 May 2004, having made no withdrawals and no additional investments in the fund in the meantime.

The tables below show the prices she paid for the units she purchased under the scheme, and the number of units purchased.

Month	Price (p)	Units		Month	Price (p)	Units
Sep 1995	38.22	261.64		Jan 1999	58.61	170.62
Oct	38.71	258.33		Feb	60.14	166.28
Nov	39.30	254.45		Mar	59.59	167.81
Dec	39.98	250.13		Apr	60.62	164.96
Jan 1996	38.26	261.37		May	61.57	162.42
Feb	37.01	270.20		June	62.44	160.15
Mar	37.95	263.50		July	62.87	159.06
Apr	39.43	253.61		Aug	63.54	157.38
May	40.62	246.18		Sep	62.10	161.03
June	40.87	244.68		Oct	60.56	165.13
July	41.79	239.29		Nov	59.62	167.73
Aug	42.65	234.47		Dec	59.27	168.72
Sep	43.08	232.13		Jan 2000	60.28	165.89
Oct	42.81	233.59		Feb	61.37	162.95
Nov	42.92	232.99		Mar	62.84	159.13
Dec	44.05	227.01		Apr	64.15	155.88

Jan 1997	46.43	215.38		May	65.06	153.70
Feb	47.11	212.27		June	68.32	146.37
Mar	47.34	211.24		July	70.14	142.57
Apr	48.93	204.37		Aug	71.28	140.29
May	49.62	201.53		Sep	73.81	135.48
June	47.33	211.28		Oct	74.00	135.14
July	46.87	213.36		Nov	74.81	133.67
Aug	46.69	214.18		Dec	74.97	133.39
Sep	48.31	207.00		Jan 2001	75.33	132.75
Oct	50.15	199.40		Feb	76.41	130.87
Nov	51.41	194.51		Mar	77.99	128.22
Dec	52.60	190.11		Apr	78.45	127.47
Jan 1998	52.88	189.11		May	78.42	127.52
Feb	53.17	188.08		June	79.61	125.61
Mar	53.10	188.32		July	80.15	124.77
Apr	54.63	183.05		Aug	82.22	121.62
May	53.96	185.32		Sep	83.58	119.65
June	53.85	185.70		Oct	83.10	120.34
July	54.29	184.20		Nov	83.85	119.26
Aug	55.62	179.79		Dec	84.07	118.95
Sep	55.81	179.18		Jan 2002	85.21	117.36
Oct	56.78	176.12		Feb	86.32	115.85
Nov	57.18	174.89		Mar	87.19	114.69

Dec	57.73	173.22		Apr	88.04	113.58
-----	-------	--------	--	-----	-------	--------

The total number of units Mary has acquired through the scheme was 14,319.44 at a total cost of £8,000, and when she sold them the price she obtained for each unit was 101 pence. The consideration she received was, therefore, £14,462.63. We want to calculate the amount of the gain of £6,462.63 which is chargeable.

Calculation

This is done in a number of steps.

The first step is to split the units acquired after 30 June 1998 - which is the last day of the final accounting year for which the practice can be applied - into batches according to the number of years' taper relief for which they qualify. The gain, and the amount of it which is chargeable, is then calculated in each case.

a. The 1311.68 units acquired from 1 June 2001 to 1 April 2002 inclusive do not qualify for taper relief, as they were not business assets and Mary had held them for less than three complete years when she disposed of them.

The consideration received for these units £1,324.80
was 1311.68 (£1.01 =

The cost of these units was £1,100.00

The chargeable gain is £224.80

b. The 1613.74 units acquired from 1 June 2000 to 1 May 2001 inclusive were held by Mary for three complete years before she disposed of them. They therefore qualify for three years' taper relief as non-business assets. This means that 95 per cent of the gain is chargeable.

The consideration received for these units was 1613.74 (£1.01 = £1,629.88

The cost of these units was £1,200.00

The gain is £429.88

The tapered gain is £408.39

c. The 1936.75 units acquired from 1 June 1999 to 1 May 2000 inclusive were held by Mary for four complete years before she disposed of them. They therefore qualify for four years' taper relief as non-business assets. This means that 90 per cent of the gain is chargeable.

The consideration received for these units was 1936.75 (£1.01 =	£1,956.12
The cost of these units was	£1,200.00
The gain is	£756.12
The tapered gain is	£680.51

d. The 1899.49 units acquired from 1 July 1998 to 1 May 1999 inclusive were held by Mary for five complete years before she disposed of them. They therefore qualify for five years' taper relief as non-business assets. This means that 85 per cent of the gain is chargeable.

The consideration received for these units was 1899.49 (£1.01 =	£1,918.48
The cost of these units was	£1,100.00
The gain is	£818.48
The tapered gain is	£695.71

The second step is to apply the practice for those accounting years of the fund for which it can be used. These are the periods ending on 30 June 1996, 30 June 1997, and 30 June 1998.

The rule given in paragraph 17 of the Statement provides that the units Mary acquired in the accounting year of the fund which ended on 30 June 1996 are treated as though she acquired them on the date she made her last contribution in that period, namely 1 June 1996. The seventh month rule applies for the accounting years ending on 30 June 1997 and 30 June 1998.

So Mary is treated as acquiring:

2564.09 units on 1 June 1996 for £1,000,

2655.55 units on 1 January 1997 for £1,200, and

2338.14 units on 1 January 1998 for £1,200.

The third step is to calculate the gain on these 7557.78 units and how much of it is chargeable. As these units were all acquired (or are treated as acquired) before 6 April 1998, they are pooled together for capital gains tax purposes. They qualify for indexation allowance to April 1998, and also for a year's head start for taper relief purposes, as Mary is treated as holding all of them on 17 March 1998.

The consideration received for these units was 7557.78 (£1.01 =	£7,633.36
The cost of these units was	£3,400.00
The unindexed gain is	£4,233.36
The indexation allowance in respect of these units is	£149.40
The indexed gain is	£4,083.96

The number of complete years after 5 April 1998 for which these units are held is six years. The effect of the one-year head start is that they qualify for seven years' taper relief. The units are not business assets for taper relief purposes. This means that 75 per cent of the gain is chargeable.

The tapered gain is **£3,062.97**

(HM Revenue and Customs Help Sheet IR 284: Shares and Capital Gains Tax gives details of how to calculate the indexation allowance on a disposal of shares or units in a pool. You can obtain a copy from HM Revenue and Customs Orderline by telephoning 0645 000404, writing to PO Box 37, St Austell, Cornwall PL25 5YN, e-mailing saorderline.ir@gtnet.gov.uk, or faxing 0645 000604.)

The final step is to sum:	£224.80
	£408.39
	£680.51
	£695.71
	£3,062.97
	£5,072.38

So the amount of the gain which is chargeable is **£5,072.38**.

The amount of capital gains tax that Mary will actually have to pay for the year of assessment 2004-05, if any, will depend on a number of factors, including the value of the annual exempt amount at that time, the aggregate amount of chargeable gains which accrue to her in that year, the amount of any allowable losses that she has available to set against untapered gains, and the amount of her taxable income. HM Revenue and Customs booklet CGT1: Capital Gains Tax: an introduction, which is available from any Tax Enquiry Centre or Tax Office, provides further details about the basic capital gains tax rules for individuals.