

Example 3

In April 2017 Ms Pierson buys 1,000 Lobster plc shares for 400p per share plus dealing costs of £150 including VAT. This is her first acquisition of Lobster plc shares.

In September 2020 she buys an additional 500 Lobster plc shares for 410p per share plus dealing costs of £80 including VAT.

In May 2025 she sells 700 Lobster plc shares for 480p per share (£3,360 disposal proceeds), incurring dealing costs of £100 including VAT.

In February 2025 she sells 400 Lobster plc shares for 520p per share (£2,080 disposal proceeds), incurring dealing costs of £105 including VAT.

Step 1

April 2017 The Section 104 holding is formed

Number of shares	Pool of actual cost
1,000	£4,150

Step 2

September 2020

Add the allowable expenditure on the new shares to the pool of cost

Add cost of more shares	500	£2,130
	1,500	£6,280

Step 3

May 2025

To calculate the gain or loss

First, calculate the amount of allowable expenditure by multiplying the pool of cost by:

	Number of shares sold	=	700
	Total number of shares in the holding		1,500
Cost	$\frac{£6,280 \times 700}{1,500}$	=	£2,931

Second, calculate the gain or loss

Disposal proceeds		£3,360
Minus allowable cost	£2,931	
Costs	£100	£3,031
Chargeable gain		£329

Note on calculation

Fractions of actual cost have been calculated by reference to the number of shares held. Alternatively, you can use the fraction:

$$\frac{\text{Disposal proceeds}}{\text{Disposal proceeds} + \text{value of shares not sold}}$$

Third, adjust the Section 104 holding

Number of shares	Pool of actual cost	
Brought forward	1,500	£6,280
minus	700	minus £2,931
Carried forward	800	£3,349

Example 3 continued

Step 4

February 2026

First, calculate the amount of allowable expenditure. Multiply the pool of cost by:

	<u>Number of shares sold</u>	=	<u>400</u>
	Total number of shares in the holding		800
Cost	<u>£3,349 x 400</u>		
	800	=	£1,675

Second, calculate the gain or loss

Disposal proceeds		£2,080
Minus allowable cost	£1,675	
Costs	£105	£1,780
Chargeable gain		£300

Third, adjust the Section 104 holding

Brought forward		800		£3,349
		minus	<u>400</u>	minus <u>£1,675</u>
Carried forward			400	<u>£1,674</u>