Tax explainer: Capital Gains Tax



Capital Gains Tax (CGT) is charged on the profit you make when you sell or dispose of an asset that has increased in value. With the right planning, you can make the most of available allowances and reliefs and keep your CGT bill to a minimum.

At a glance

- Annual exempt amount for 2026/27: £3,000 per individual
- Property sales outside your main home trigger CGT
- Main CGT rates for 2026/27: 18% or 24%
- Gains must be reported via Self Assessment or a 60-day return (for property)

When does CGT apply?

CGT arises when you dispose of an asset that has risen in value. A disposal includes a sale, but it can also occur when:

- a chargeable asset is given away
- a chargeable asset is transferred to another person
- a chargeable asset is exchanged for something else
- compensation is received for the loss or destruction of an asset, for example an insurance pay-out

Common assets that can give rise to a CGT charge include:

- property that is not your main home
- shares and investments
- business assets
- personal belongings (chattels) worth more than £6,000, such as art or antiques

Chattels with a predictable useful life of 50 years or less — caravans and boats, for example — are normally exempt from CGT altogether.

Your CGT allowance

Every individual has an Annual Exempt Amount — the amount of gains you can make each tax year before CGT is due. For 2026/27 this is £3,000. A husband and wife each have a separate exemption, as do same-sex couples who are civil partners.

Most trusts have a lower annual exemption of £1,500 for 2026/27.

Only gains above your exemption are taxed.

CGT rates for 2026/27

The rate you pay depends on whether you are a basic rate or higher/additional rate taxpayer, and on the type of asset sold. Once your total taxable income and gains exceed the higher rate threshold, any excess gain is taxed at 24%.

TAXPAYER	ASSET TYPE	RATE (2026/27)
Basic rate taxpayer	Most assets	18%
Higher or additional rate taxpayer	Most assets	24%
Basic rate taxpayer	Residential property	18%
Higher or additional rate taxpayer	Residential property	24%
Basic rate taxpayer	Business Asset Disposal Relief	18%
Higher or additional rate taxpayer	Business Asset Disposal Relief	18%

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Business Asset Disposal Relief (BADR) — formerly known as Entrepreneurs' Relief — applies to the sale of a qualifying business, shares in a trading company, or an interest in a trading partnership. Where BADR applies, CGT is charged at a flat 18% for 2026/27, subject to a lifetime limit of £1 million.

Key exemptions and reliefs

Several assets and situations are either fully exempt from CGT or attract significant relief:

- Your main home is generally exempt under Private Residence Relief, subject to conditions.
- Gifts to a spouse or civil partner are exempt from CGT at the time of transfer.
- Donations to charity are exempt.
- Chattels with a useful life of 50 years or less are normally exempt.
- Business Asset Disposal Relief reduces the CGT rate to 18% on qualifying business disposals, up to a lifetime limit of £1 million.

Capital losses are offset against gains of the same tax year. Any net losses remaining are carried forward (they cannot be carried back) and used against future gains, but only to the extent that net gains exceed the annual exempt amount.

Reporting, paying and planning

CGT must be reported to HMRC if your total gains exceed the Annual Exempt Amount. For most assets this is done through Self Assessment. For residential property that is not your main home, a separate return must be filed and any tax paid within 60 days of the date of exchange.

Some straightforward steps can help reduce your CGT exposure:

- Use your £3,000 annual exemption (2026/27) each tax year — it cannot be carried forward.
- Offset any capital losses against gains in the same year, and carry forward any net losses.
- Transfer assets to a spouse or civil partner free of CGT to make use of their exemption.
- Consider tax-efficient wrappers such as ISAs, where gains are free from CGT.
- Where possible, spread disposals across more than one tax year to maximise use of your annual exemption.
- If selling a business or business assets, check whether Business Asset Disposal Relief applies before exchanging contracts.

Next steps

- Review any assets you are considering selling this tax year before you exchange or complete.
- If you have made a disposal of residential property, check whether the 60-day reporting deadline applies to you.
- Consider whether Business Asset Disposal Relief or any other relief could reduce your CGT bill before disposal.
- Please get in touch with us and we'll gladly help you plan your position.

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