

# **CGT2**

## **Capital Gains Tax - A Summary of the Main Features**

# Introduction

This leaflet gives some general information in relation to Capital Gains Tax (CGT) and has a computation sheet, which will be helpful for calculating tax due in the more straightforward CGT cases. It also sets out the due dates for payment of CGT. A more detailed CGT booklet, **Guide to Capital Gains Tax, CGT1**, is available electronically, or on request from Revenue's Forms and Leaflets Service by phoning LoCall 1890 306 706 or from any Revenue office.

**Note** that rates charged for the use of 1890 (LoCall) numbers may vary among different service providers.

## What is CGT?

CGT is a tax on capital gains arising on the **disposal** of **assets** owned by you. At its simplest, deducting the price you paid for an asset when you acquired it from the sale proceeds when you dispose of it gives you the chargeable capital gain.

## Example

You purchase shares in January 2008 at a cost of €5,000 and sell them in May 2009 for €8,000. Assume you have no other capital gains, losses or allowable expenditure:

Disposal proceeds	€8,000
Cost price	€5,000
Chargeable Gain	€3,000
Deduct:	
Personal exemption	€1,270
Net Chargeable Gain	€1,730
Chargeable @ 25%	
Capital Gains Tax due	€432.50

In calculating the amount of tax payable, deductions are allowable for incidental costs of acquisition, such as solicitor's fees, stamp duty, etc. and incidental costs of disposal such as fees paid to solicitors/auctioneers, etc. In addition, where an asset was acquired before 2003, inflation relief may be available, effectively adjusting the cost in line with a published inflation factor. The computation sheet and notes in this leaflet guide you in relation to how these are allowed.

## What are Assets/Disposals for CGT Purposes?

Both of these have a very broad meaning for Capital Gains Tax purposes. For example, assets not only include outright ownership of an **asset**, they also include an interest in assets, for example a leasehold interest in land/buildings. They also include intangible assets such as goodwill or an option over assets. Similarly, a disposal refers not only to the sale of an asset, it includes any transfer of ownership by way of exchange, gift or settlement on trustees. In the case of shares in a company or mutual society there is a **disposal** for Capital Gains Tax purposes where a person receives capital payments in respect of their shareholding/interest held in the paying company.

In general, where assets pass on death there is no charge to CGT.

## Are any Capital Gains exempt from CGT?

Gains on the disposal of some assets are specifically exempted from CGT. These include:

- ♦ Gains on the disposal of property owned by you (house, apartment, etc.) which was occupied by you or by a dependent relative as a sole or main residence. Restrictions may apply where the property was not fully occupied as a main residence throughout the period of ownership or where the sale price reflects development value

- ♦ Gains from betting, lotteries, sweepstakes, bonuses payable under the National Instalments Savings Scheme and Prize Bond winnings
- ♦ Gains on Government Loans and Debentures issued by certain Semi-state bodies
- ♦ Gains on disposal of wasting chattels (e.g. animals, private motor cars, etc.)
- ♦ Gains on Life Assurance policies (unless purchased from another person or taken out with certain foreign insurers on or after 20 May 1993)
- ♦ Gains made by individuals on tangible moveable property where the consideration does not exceed €2,540

## Self-Assessment

CGT is a self-assessment tax and individuals are obliged to file a return on or before 31 October in the year following the tax year in which the disposal is made.

Self-assessment applies to all CGT liabilities for all persons, i.e. the self-employed and others directly assessed to tax, individuals on PAYE and persons not already within the tax system. Returns and payments of capital gains must be made without being required to do so by Revenue.

Capital gains are normally returned on an individual's income tax return form. A PAYE taxpayer who is required to make a return on a **Form 12** should include details of capital disposals and acquisitions on that form. A self-assessed individual should make the return on a **Form 11E/ Form 11**. Trusts and Estates should make the return on a **Form 1**. Individuals who are not required to make an income tax return, including non-residents or PAYE taxpayers who are not normally required to file a tax return, should make their Capital Gains Tax return on **Form CG1**. These Forms are also available from Revenue's Forms and Leaflets Service by phoning LoCall 1890 306 706, or from any Revenue office.

## Rate of CGT

For most assets the rate of tax for disposals made on or after 7 December 2011 is 30%. The rate of tax for disposal made between 8 April 2009 and 6 December 2011 is 25%. For disposals between 15 October 2008 and 7 April 2009 the rate of tax was 22%. [For disposals made on or before 14 October 2008 the rate of tax was 20%.] Exceptionally, a rate of 40% applies on disposals of certain foreign life assurance policies and units in offshore funds, while rates of 12.5% and 15% apply to certain venture capital fund managers.

## CGT payment dates

The tax year is divided into two periods for payment purposes. For 2009 and subsequent years these are as follows:

- ♦ 'initial period' - 1 January to 30 November
- ♦ 'later period' - 1 December to 31 December

The tax arising in respect of gains in the 'initial period' must be paid on or before 15 December in that year and the tax due on gains in the 'later period' is payable on or before 31 January following the end of the year of assessment.

## Example

The due date for paying CGT is determined by the date the asset is disposed of, as follows:

- ♦ Disposals between 1 January and 30 November ('initial period') – CGT due 15 December in that year,
- ♦ Disposals between 1 December and 31 December ('later period') – CGT due 31 January in the following year.

## How do I make a payment of CGT?

In order to pay CGT you should complete the short form known as the **CGT Payslip** and send it, with the correct amount of CGT due (by cheque, postal order, etc.), to the Collector-General by the appropriate date.

For disposals in the 'initial period' (1 January to 30 November) **Payslip A** is used, for disposals in the 'later period' (December) **Payslip B** is required.

**Prior-year Payslips** are also available from the Collector-General's Division by phoning LoCall 1890 20 30 70 or from any Revenue office.

**Payment should be made to:** Collector-General's Division, Sarsfield House, Francis Street, Limerick.

Please remember that in addition to the payment and payslip you are also required to send in a tax return as outlined in the **Self-Assessment section**.

## Further Information

The computation sheet in this leaflet is designed to assist you in calculating your CGT. Please note that this leaflet attempts to provide a general overview of CGT and does not deal with certain topics which can, in some cases, lead to more complex issues. Such topics may include matters such as:

- ◆ Disposals under compulsory purchase orders,
- ◆ Disposals of development land,
- ◆ Part-disposals,
- ◆ Disposals of foreign life policies,
- ◆ Retirement relief,
- ◆ Roll-over relief (where applicable),
- ◆ Disposals by non-residents,
- ◆ Disposals of Rights issues / Bonus issues.

More information on these, and CGT in general, is available in the comprehensive **Guide to Capital Gains Tax, CGT1**.

## Inflation/Indexation Relief Multipliers

Indexation relief applies to certain expenditure incurred before 2003. The adjustment is made by multiplying the relevant item of allowable expenditure by a factor, the multiplier. The multiplier to be applied depends on the year of assessment in which the expenditure was incurred and the year of assessment in which the disposal is made. See chart below.

Tax Year Expenditure Incurred and Multipliers for 2003 et seq.									
74/75	75/76	76/77	77/78	78/79	79/80	80/81	81/82	82/83	83/84
7.528	6.080	5.238	4.490	4.148	3.742	3.240	2.678	2.253	2.003
84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
1.819	1.713	1.637	1.583	1.553	1.503	1.442	1.406	1.356	1.331
94/95	95/96	96/97	97/98	98/99	99/00	00/01	2001	2002	2003 et seq
1.309	1.277	1.251	1.232	1.212	1.193	1.144	1.087	1.049	1.000

# Computation sheet

This is not a tax return and should not be sent to Revenue

Date of Disposal  
(Generally the date of contract for sale)

Date of Acquisition  
(Generally the date of purchase contract)

## Computation

Disposal Consideration (Note 1)

Less Incidental Costs of Disposal (if any) (Note 2)

Net Disposal Consideration

## Deduct Allowable Costs

Cost of Acquisition (Note 3)  
€            x Multiplier (        ) =

Other Allowable Expenditure (Note 4)  
€            x Multiplier (        ) =

Total indexed cost 

Capital Gain/(Loss) after indexation (Note 5)  
[use brackets ( ) to denote loss]

Actual Monetary Gain or (Loss) (Note 6)  
[use brackets ( ) to denote loss]

**Chargeable Gain** (Note 7)

**(Allowable Loss)** (Note 8)

Unused Losses from previous years  
(Unused Losses from previous C.G.T. computation)

## Calculation of Capital Gains Tax Payable

Total Chargeable Gains net of Allowable Losses

Less Personal Exemption (€1,270 - if due) (Note 9)

Net Chargeable Gains (Note 10)

Chargeable @ 25% Tax Due =

## Notes to Computation Sheet

### 1. Disposal Consideration

This is the value of the consideration received on disposal, e.g. the sale price in the case of sale at arm's length. If the disposal is not made by a bargain at arm's length or where the parties are connected, for example a disposal between family members, then the consideration is equal to its market value at the time of disposal. Any disposal proceeds received in foreign currency must be converted to Irish currency by reference to the rate of exchange at the time of disposal.

### 2. Incidental Costs of Disposal

This is expenditure wholly and exclusively incurred by you for the purposes of the disposal, e.g. cost of valuing, advertising and legal expenses.

### 3. Cost of Acquisition

- ♦ If the asset was acquired by way of an inheritance on a death, by way of a gift or on transfer from a trust, it is the market value at the date of death, gift or transfer that is to be used here.
- ♦ Incidental costs of acquisition such as legal fees and stamp duty are allowable as part of the cost.
- ♦ If the asset was acquired prior to 6 April 1974 the allowable cost to be entered is the market value of the asset at 6 April 1974.
- ♦ Where the acquisition was made in foreign currency the costs of acquisition must be converted to Irish currency by reference to the rate of exchange at the time of acquisition.

#### 3(a). Disposal of Shares

Like any other CGT computation, a chargeable gain on the disposal of company shares is arrived at by deducting the cost of the shares (adjusted for inflation as appropriate) from the net consideration received for the disposal of the shares.

The primary rule in respect of a disposal of shares that should be noted, however, is the "First In First Out" rule (FIFO). Under this rule a person holding shares of the same class, which have been acquired at different dates, is deemed to have sold the shares acquired at the earlier time first. This rule is modified, however, where shares of the same class are bought and sold within a period of four weeks.

Often, however, there will be increases in the shareholding, either because a person purchases additional shares of the same type or they receive additional shares under bonus or rights issues. There are special CGT rules for these situations and these are covered in **Guide to Capital Gains Tax, CGT1**, which includes an appendix of worked examples.

#### 3(b). Multiplier

See the **Inflation/Indexation relief multiplier** for disposals of assets where the asset was acquired before 31 December 2002.

### 4. Other Allowable Expenditure

This is the cost of additions to the asset, after the date of acquisition, which adds to the value of the asset and is reflected in the state of the asset at the date of sale. Examples would be the addition of a garage or a conservatory to a house. It does not include routine maintenance such as painting. It also includes expenditure to establish, preserve or defend legal title.

## 5. Capital Gain/(Loss) after indexation

Ordinarily the gain as calculated here is the chargeable gain but, in some cases the chargeable gain or allowable loss may require to be adjusted by reference to the actual monetary gain or loss. See “**Chargeable Gain or Allowable Loss**”.

## 6. Actual Monetary Gain or Loss

This is the actual gain (or loss) without any allowance for inflation/indexation.

## 7. & 8. Chargeable Gain or Allowable Loss

- (a) If there is a “Capital Gain after indexation” enter it here also, **unless**:
- ♦ There is an “Actual Monetary Gain” which is smaller, in which case enter the smaller figure, or
  - ♦ There is an “Actual Monetary (Loss)” in which case treat the disposal as giving rise to a “no gain/no loss” result.
- (b) If there is a “Capital (Loss) after indexation” enter it here also, **unless**:
- ♦ There is an “Actual Monetary (Loss)” which is smaller, in which case enter the figure the smaller figure, or
  - ♦ There is an “Actual Monetary Gain” in which case treat the disposal as giving rise to a “no gain/no loss” result.

## 9. Personal Exemption

The first €1,270 of an individual’s net gains is not chargeable. This personal exemption is not transferable between spouses or civil partners, and applies to individuals only. If there is more than one disposal during the year and the personal exemption has been utilised in full against a previous gain, no further relief is due here.

## 10. Net Chargeable Gains

This is the final chargeable gains figure net of all allowable costs, indexation reliefs (where applicable), allowable losses, and personal exemption as applicable.

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