Value Added Tax

Part 19-02-02

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2.1 Where a chargeable asset is acquired otherwise than as an asset of a trade, the cost for Capital Gains Tax purposes should be the cost inclusive of any Value Added Tax (VAT) borne on the purchase. Where, however, the asset is acquired as an asset of a trade and the VAT borne on it is part of the trader's deductible "input tax" the cost, where relevant for capital gains purposes, should be the cost exclusive of VAT.

Where VAT is charged on the disposal of a chargeable asset, the gain is to be computed by reference to the proceeds of disposal exclusive of VAT. If VAT is suffered on the expenses of disposal and this is available for set off in the vendor's VAT account, the expense exclusive of VAT is to be deducted in computing the gain. If no set-off is available, the expense inclusive of VAT is to be allowed.