

Capital Taxes

Capital Gains Tax (CGT) annual exemption

The annual exempt amount for CGT will increase from £10,100 to £10,600 with effect from 6 April 2011.

Legislation will be introduced in Finance Bill 2012 to provide that the annual exemption will rise in line with the consumer prices index (CPI) instead of the retail prices index. This automatic indexation using the CPI will continue to be subject to override if Parliament determines that a different amount should apply.

Entrepreneurs' Relief (ER)

ER was introduced in April 2008.

Subject to satisfying certain conditions, including the current lifetime limit of £5 million, capital gains on qualifying business disposals by individuals and certain trustees are eligible for ER. Qualifying gains are liable to CGT at 10%.

The lifetime limit is applied to the aggregate of gains that benefit from ER, whatever the year in which the disposal took place. Any gains in excess of the lifetime limit are liable to CGT at the same rates as other chargeable gains.

The lifetime limit will increase to £10 million with effect for qualifying business disposals on or after 6 April 2011.

Where individuals or trustees make qualifying gains above the £5m limit before 6 April 2011, no additional relief will be allowed for the excess.

Inheritance Tax (IHT)

The IHT nil rate band is frozen at £325,000 until 2015. The government has announced that from 2015/16 increases in this figure will again be based on CPI.

Reduced rate of tax

The government has announced that a reduced rate of IHT will apply where 10% or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the current 40% rate will be reduced to 36%. The new rate will apply to deaths occurring on or after 6 April 2012. The government will be consulting on the detailed implementation of this measure and will issue a consultation document before the summer.

Stamp Duty Land Tax (SDLT)

Legislation will be introduced in Finance Bill 2011 to provide a relief for purchasers of residential property who acquire interests in more than one dwelling. Where the relief is claimed the rate of SDLT is determined not by the aggregate consideration but instead by the mean consideration (i.e. by the aggregate consideration divided by the number of dwellings) subject to a minimum rate of 1%.