CashCalc Specification Sheets (Client Facing)

Capital Gains Tax Calculator

Overview

The Capital Gains Tax Calculator is used to show the client how much Capital Gains Tax that the client must pay for the acquisition of an asset. This calculator takes the Asset Description, Acquisition Cost and Sale Proceeds of each asset, whether the client is married, client and spouse's taxable income for the current year, tax rate, annual CGT allowance available, Personal Allowance remaining, whether entrepreneur's relief qualification is met, whether there are any capital losses and if so, the capital losses of the current year and those carried forward, also taking in account if Scottish tax rates apply.

Assumptions

Below is a list of all assumptions made in order to perform the calculation:

- Figures are rounded up to the nearest penny
- Tax rates are those set by the current government at 18% (basic) and 28% (higher)
- Client has an annual CGT allowance at £11,700 as default
- Personal Allowance Remaining at £11,850 as default
- If the client's taxable income is not provided, the Personal Allowance is assumed to be used elsewhere and the maximum amount that can be taxed at 18% is £45,000
- Client has at least one asset
- The Scottish tax rate at 20% for the bands from £11,850 up to £34,500, 40% for the bands above £34,500 up to £150,000, and 45% above £150,000

Calculations Breakdown

The calculations require twelve parameters in order to calculate the given output, these being:

- Acquisition Cost
- Sale Proceeds
- Married?
- Taxable Income
- Tax Rate
- Annual CGT allowance available
- Personal Allowance Remaining
- Entrepreneur's Relief?
- Residential property?
- Partial Private Residence Relief?
- Extra Losses of the current year (residential and/or entrepreneur)
- Extra Losses carried forward (residential and/or entrepreneur)
- Able to gift?
- Percentage Transferred %

The Capital Gains Calculator uses these values to estimate the Total Capital Gain, Total Net Gain after losses, amount taxed at 10%, amount taxed at 18%, amount taxed at 28%, and Total Capital Gains Tax to pay.

This calculator is split if the client is married and able to gift a percentage to their spouse. Following is the calculations performed for each case: The client being married and able to gift a percentage to their spouse or the client is married and unable to gift a percentage to the spouse or unmarried.

Partial Private Residence Relief

If the property qualifies for Partial Private Residence Relief a discount is given and the Total Capital Gain is taken with the discount, the following calculations are used:

```
Total Capital Gain = Sale Proceeds – Acquisition Cost

Discount = (Period Exempt From CGT / Total Period Of Ownership) * Total Gain

Total Gain After Discount = Total Capital Gain – Discount
```

Client is Unmarried or Unable to Gift a Percentage to their Spouse

If the client is unable to gift a percentage to their spouse or they are unmarried, they are entitled to the full capital gain of selling the asset. As multiple assets can be entered at once, the following calculation is run for each asset and a running total taken:

```
Total Capital Gain = Sale Proceeds – Acquisition Cost
```

The losses must then be accounted for and the Annual CGT allowance available must be subtracted from this value as it is not to be taxed. The Total Net Gain after losses is calculated using the following:

```
Total Net Gain = Total Capital Gain – Capital Losses – CGT Allowance – Losses Carried Forward
```

The Total Net Gain is the amount that is subject to taxation, the calculator now finds how much of this value should be taxed at each rate. If the client is an entrepreneur, then they are taxed at a fixed rate of 10% on all of the capital gain. If the client's taxable income is not entered, the maximum value for the 18% tax bracket is set to £45,000. If they are not entitled to this relief, then the amounts taxed at each rate are calculated using the following:

Without Income

```
If Total Net Gain >= National Insurance Upper -> Amount Taxed at 18% = National Insurance Upper
If Total Net Gain < National Insurance Upper -> Amount Taxed at 18% = Total Net Gain
```

With Income

```
Amount Taxed at 18% = Tax Rate Threshold – (Income – Personal Allowance)

Amount Taxed at 28% = Total Net Gain – Amount Taxed at 18%
```

These amounts are then multiplied by the tax rate to find how much the client can be taxed at that rate and the products added together to give the Total Capital Gains Tax to pay. This is calculated using the following:

```
Tax to Pay at 18% = Amount Taxed at 18% x 0.18

Tax to Pay at 28% = Amount Taxed at 28% x 0.28

Total Capital Gains Tax to pay = Tax to pay at 18% + Tax to Pay at 28%

Entrepreneur's Total Capital Gains Tax to pay = Total Net Gain * 0.1
```

Client is Married and Able to Gift a Percentage to their Spouse

If the client is married and able to gift a percentage to their spouse, the calculator splits the value between the two clients at that mark. This is calculated by:

```
Spouse's Gain = Total Capital Gain * Percentage Transferred
Main Client's Gain = Total Capital Gain – Spouse's Gain
```

Both the client and the spouse will be passed through the same processes as if they were an individual client and then a total of both their Capital Gains Tax to pay is taken for the correct total.

The values produced at each stage will be displayed in a table, showing a breakdown of how the Total Capital Gains Tax to pay has been calculated from the values provided at input.

A PDF report can be created from this calculator which contains detailed information about the relevant client's details and the outputs of the calculations performed.