

Example 3

In April 2014 Ms Pierson buys 1,000 Lobster plc shares for 400p per share plus dealing costs of £150 including VAT. This is her first acquisition of Lobster plc shares.

In September 2017 she buys an additional 500 Lobster plc shares for 410p per share plus dealing costs of £80 including VAT.

In May 2018 she sells 700 Lobster plc shares for 480p per share (£3,360 disposal proceeds), incurring dealing costs of £100 including VAT.

In February 2019 she sells 400 Lobster plc shares for 520p per share (£2,080 disposal proceeds), incurring dealing costs of £105 including VAT.

Step 1

April 2014 The Section 104 holding is formed

Number of shares

1,000

Pool of actual cost

£4,150

Step 2

September 2017

Add the allowable expenditure on the new shares to the pool of cost

Add cost of more shares

500

£2,130

1,500

£6,280

Step 3

May 2018

To calculate the gain or loss

First, calculate the amount of allowable expenditure by multiplying the pool of cost by:

Number of shares sold	=	700
Total number of shares in the holding		1,500

Cost	$\frac{£6,280 \times 700}{1,500}$	=	£2,931
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Second, calculate the gain or loss

Disposal proceeds		£3,360
Minus allowable cost	£2,931	
Costs	£100	£3,031
Chargeable gain		£329

Note on calculation

Fractions of actual cost have been calculated by reference to the number of shares held. Alternatively, you can use the fraction:

$$\frac{\text{Disposal proceeds}}{\text{Disposal proceeds} + \text{value of shares not sold}}$$

Third, adjust the Section 104 holding

Brought forward

Number of shares

1,500

Pool of actual cost

£6,280

minus 700

minus £2,931

Carried forward

800

£3,349

Example 3 continued

Step 4

February 2019

First, calculate the amount of allowable expenditure. Multiply the pool of cost by:

	Number of shares sold	=	400
	Total number of shares in the holding		800
Cost	$\frac{£3,349 \times 400}{800}$	=	£1,675

Second, calculate the gain or loss

Disposal proceeds		£2,080
Minus allowable cost	£1,675	
Costs	£105	£1,780
Chargeable gain		£300

Third, adjust the Section 104 holding

Brought forward	800	£3,349
	minus 400	minus <u>£1,675</u>
Carried forward	400	<u>£1,674</u>