

Disposals where capital sums derived from assets. CGTA75 s8(2) and (7) 535.—(1) In this section, “capital sum” means any money or money's worth not excluded from the consideration taken into account in the computation of the gain under Chapter 2 of this Part.

(2) (a) Subject to sections 536 and 537(1) and to any other exceptions in the Capital Gains Tax Acts, there shall be for the purposes of those Acts a disposal of an asset by its owner where any capital sum is derived from the asset notwithstanding that no asset is acquired by the person paying the capital sum, and this paragraph shall apply in particular to—

(i) capital sums received by means of compensation for any kind of damage or injury to an asset or for the loss, destruction or dissipation of an asset or for any depreciation or risk of depreciation of an asset,

(ii) capital sums received under a policy of insurance of the risk of any kind of damage or injury to, or the loss or depreciation of, an asset,

(iii) capital sums received in return for forfeiture or surrender of a right or for refraining from exercising a right, and

(iv) capital sums received as consideration for use or exploitation of an asset.

(b) Without prejudice to paragraph (a)(ii) but subject to paragraph (c), neither the rights of the insurer nor the rights of the insured under any policy of insurance, whether the risks insured relate to property or not, shall constitute an asset on the disposal of which a gain may accrue, and in this paragraph “policy of insurance” does not include a policy of assurance on human life.

(c) Paragraph (b) shall not apply where the right to any capital sum within paragraph (a)(ii) is assigned after the event giving rise to the damage or injury to, or the loss or depreciation of, an asset has occurred, and for the purposes of the Capital Gains Tax Acts such an assignment shall be deemed to be a disposal of an interest in the asset concerned.