HMRC - CG34900 - Settlor Trusts: Computations: Example 1

A and B each settle ordinary shares in X Limited on a trust under which both Mrs A and Mrs B have an interest as defined by the new provisions. A settles 500 such shares and B 1500. It is accepted that there is only one settlement for CGT purposes and the shares are not appropriated into separate funds.

In 1988-89 there is a gain of £2,000 on the sale of some of the shares, a loss of £400 on the sale in 1989/90 of further shares and in 1990-91 a gain of £500 on the sale of shares in Y Limited acquired with the sale proceeds of the shares in X Limited.

In 1988-89, as A and B settled property in the proportion 1:3, there is, on a just apportionment, a chargeable gain of £500 (2000 x 1/4) accruing to A.

Similarly a gain of £1500 is treated as accruing to B. Each is assessed as appropriate.

The loss of £400 in 1989-90 is apportioned £100 to A and £300 to B.

The gain of £500 in 1990-91 is apportioned £125 to A and £375 to B.

The loss of £100 in respect of the property provided by A is set against the gain of £125, leaving a net gain of £25 to be attributed to A. Similarly the loss of £300 in respect of the property provided by B is set against the gain of £375 on the property provided by him, leaving a net gain of £75 assessable on B.

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