

COMPANIES CHARGEABLE GAINS

Company's capital gains and losses are computed in accordance with general Capital Gains principles. The same general capital gains tax rules apply.

Where capital losses arise they are set against capital gains for the same period. Losses remaining are then carried against capital gains for future accounting periods but cannot be set against other income.

There is relief against Capital Gains Tax in connection with a share reorganisation or take over. There are certain conditions including that the only consideration is the issue of shares in the acquiring company. Once the conditions are satisfied, no capital gain arises at the time of the reorganisation. The cost of the original shares become the cost of the new shares. Where a shareholder receives more than one type of share the cost of the original shares are allocated. Where both cash and shares are received on a take over there is a part disposal of the original shares. Capital Gains arise on the cash element.

Roll over relief exists for companies to allow them replace assets used in their trade without incurring a Corporation Tax liability on related gains. The gain arising on the disposal of the asset is deducted against the acquisition cost of the new asset. This effectively means that it is postponed for so long as the proceeds are reinvested.

Land and buildings occupied and used for trading purposes and fixed plant and machinery qualify for Roll over relief. The acquisition of a replacement asset must take place within one year before and three years after the sale of the original asset. Where the proceeds of the old asset are not fully reinvested the surplus retained reduces the amount of the Capital Gain that can be rolled over. Any asset with a predicable life of not more than 60 years is a depreciating asset.



Where the reinvestment is in a depreciating asset the Capital Gain is deferred until the earliest of when the depreciating asset ceases to be used for trading purposes or 10 years since the asset was acquired.

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.

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