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Adviser factsheet

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Capital Gains Tax (CGT)

on investments by individuals in UK stocks and shares

Introduction

Whenever an individual sells or otherwise disposes of UK stocks and shares, for example, by gift, not covered by the spousal exemption rules, they need to consider the CGT implications. CGT will be due on any gains made on the disposal of shares in the tax year once the cumulative total for the year exceeds annual exemption and available losses.

This factsheet looks at the CGT rules which apply to UK shareholdings owned by an individual and explains how to work out the total gains for the year. A worked example at the end demonstrates how to calculate CGT liability.

The tax treatment depends on the individual circumstances and may be subject to change in the future.

The basics

What is CGT?

Whenever an individual disposes of assets subject to CGT, such as UK stocks and shares, outside the spousal exemption, they need to consider how the CGT rules apply to the sale or gift.

Once they've calculated the position for each sale or gift, they then need to add all their gains and losses made in the tax year together to calculate the net chargeable gains.

If net chargeable gains exceed annual exemption, CGT will be due at the appropriate rate of tax.

What is the current rate of tax?

The rate of tax applied depends on how much taxable income has been received in the tax year.

CGT in the main is charged at 18% for the amount of gains, which equals the amount of basic rate band remaining for income tax purposes. The 24% rate applies to the remainder of the gain. A worked example is provided at the end of this factsheet.

Shares which qualify for business asset disposal relief or investors' relief attract a lower rate of tax.

Who is chargeable to CGT?

Anyone who is UK resident for UK tax purposes will fall within the CGT regime when shares are sold or gifted. Different rules may apply on the sale or gift of foreign stocks and shares, which aren't considered in this factsheet.

Special rules, which are explained below, apply if any UK shares are disposed of after moving abroad and subsequently return to the UK.

If individuals are unsure of their UK residency position, they should seek advice from a tax adviser or consult their local tax office.

What is the annual exemption?

For 2026-27, the annual exemption is £3,000.

Can any unused annual exemption be carried forward or transferred to someone else?

No. If an individual doesn't use all of their annual exemption in one tax year, it can't be carried forward to a later tax year and will be lost. It's not possible to transfer any unused allowance to anyone else, including a spouse or civil partner.

Do all disposals of shares fall within the capital gains tax regime?

No. Disposals of certain shares are exempt from CGT. Exempt disposals won't incur any tax on any gains, but no tax relief will be available on any losses incurred.

Disposals of shares which are exempt include:

- shares held within tax efficient wrappers, such as a stocks and shares ISA or a pension; and
- shares in venture capital trusts, enterprise investment schemes and seed enterprise investment schemes, provided they qualify for the exemption.

When is the tax due?

Tax is due by 31 January following the end of the tax year of the disposals unless disposing of property, in which case it's 60 days. The rules for this type of disposal aren't covered in this factsheet.

Working out the CGT position on each sale or gift of shares

How to start a CGT calculation

Each sale or gift of chargeable shares in the tax year needs to be considered separately.

Each disposal should undertake the following calculation:

If the difference between the net proceeds and the total of the acquisition cost and allowable expenditure is positive, a gain on the shares has been made.

If the difference is negative, a loss has been incurred.



The values to include in the calculation

What are net proceeds?

When shares are sold on the open market, the net proceeds are the amount received, less any share dealing costs on the sale.

Special rules apply when shares are gifted.

How to find out what the acquisition cost is

If shares were held before 31 March 1982, the acquisition cost is deemed to be the market value as at 31 March 1982. For all shares acquired since 31 March 1982, the acquisition cost is:

- Shares purchased on the open market – the amount paid, including any stamp duty and share dealing costs;
- Shares received as a gift – the market value on the date of the gift, even if the individual has paid some money towards the shares; and
- Shares inherited following a death – the market value on the date of death, which will be the value included in any probate calculations.

Whenever an individual is disposing of shares, they also need to consider the share matching rules.

What are the share matching rules?

Any shares disposed of must be matched against shares of the same class purchased in a particular order. The shares disposed of will be matched against other shares in the same class in the following order:

1. Any shares purchased on the same day;
2. Any shares purchased within the next 30 days;
3. Any other shares held in a section 104 share pool.

The section 104 share pool includes all shares purchased prior to the current disposal. Their total acquisition cost is the cumulative total of all shares included in the pool, less the acquisition cost of any previously disposed of shares.

What is allowable expenditure?

Allowable expenditure includes the following:

- Share dealing costs on purchase;
- Stamp duty paid on the purchase of the shares; and
- Share dealing costs on the disposal (if they've not already been deducted in calculating the net proceeds).

What is the acquisition cost for a shareholding which has been built up over some time?

The acquisition cost of shares purchased in several transactions, including either lump sum payments or as part of a regular investment programme, is the sum of the purchase price paid in each separate purchase.

Shareholding 1 in the worked example demonstrates how to calculate the acquisition cost of shares purchased over several transactions.

What happens if accumulation units are held?

If accumulation units are held, the income accumulated is added to the original acquisition cost of the units. If an equalisation payment is received at the same time as the first income accumulation, it should be deducted from the acquisition cost.

Shareholding 2 in the worked example demonstrates how to calculate the base cost of accumulation units.

What happens if only some shares are disposed?

If only some shares are disposed, a part disposal has been made and the following formula should be used to calculate the acquisition cost.

$$\text{Acquisition cost of all the shares} \times \frac{A}{(A + B)}$$

A = the number of shares disposed of
B = the number of shares retained

The second part of Shareholding 1 in the worked example shows the calculation of the acquisition cost on a part disposal.

Special rules – loss relief

What happens if shares were sold for less than the original purchase price?

If the purchase price and any incidental costs are greater than the amount received on the sale, a capital loss has incurred which can be offset against other chargeable gains.

A current year loss must be offset against other gains made in the current year, even if this means that the individual doesn't have sufficient gains to utilise the annual exemption in full.

Shareholding 3 in the worked example demonstrates setting allowable losses against chargeable gains made in the same year.

What happens if losses have been offset against others gains made in the same tax year but the full loss allowance hasn't been used?

If the loss is greater than the chargeable gains in the current year, the excess loss can be carried forward to set against gains in future tax years, so long as these are registered within four years of the loss occuring with HMRC.

How to use losses carried forward to later years

When losses are carried forward to future years, they can be used to reduce chargeable gains down to the annual exemption in that year and carry any remaining balance forward.

Example 1

Stan, who is a UK resident, sells 10,000 shares in Henman Plc for £15,000 in May 2023. He paid £25,000 for them in June 2022. He has no other disposals in the year, so his £10,000 loss is carried forward.

In July 2026, Stan disposes of 4,500 shares in Dobson Limited for £30,000. He paid £15,000 for them in June 2020. He makes no other disposals in the year.

	£
Net proceeds	30,000
Less acquisition cost	-15,000
Chargeable gain	**15,000**
Less losses brought forward	-10,000
Chargeable gain	**5,000**

The annual exemption for 2026-27 is £3,000. This means that he has £2,000 CGT liability for the year.

What happens if shares owned have become worthless?

If shares which have become worthless since they were acquired, a negligible value claim can be made.

The effect of the claim is to treat the shares as having been disposed of for nil disposal proceeds and reacquired with no acquisition cost. If the shares recover in value later on, the individual will be taxed on any gain over the new nil acquisition cost when they finally dispose of the shares.

The negligible value claim can either be applied in the current tax year or either of the two tax years prior to the year of the claim.

If a negligible value claim is made during 2026-27, any loss resulting from the deemed disposal will arise in 2026-27 unless a claim for the loss made is to be treated as if the shares were disposed of at a time falling in 2025-26 or 2024-25.

The loss is usually treated as a capital loss. In some circumstances, it may be possible to claim income tax relief on the loss instead.

Example 2

Tomas bought 10,000 shares in Djokovic Limited for £8,000 in January 2011. The company experienced trading difficulties after the financial crisis and finally went into receivership in July 2021. HMRC agrees that a negligible value claim is available from 2021-22 onwards.

Tomas can claim a negligible value claim in 2024-25 or either of 2022-23 or 2023-24. The best tax year to make the negligible value claim will depend upon Tomas's individual circumstances, as it will be treated as a loss under the normal loss relief rules.

Tomas decides to make the negligible value claim in 2023-24, as he has other gains totalling £20,000 in the tax year.

Special rules – gifts

What happens if a shareholding is transferred to a husband, wife, or civil partner?

Transfers between spouses or civil partners who live together are treated as a 'no gain, no loss' transfer. This means that no CGT will be due on the transfer between spouses and civil partners, and the transferee's acquisition cost of the shares will be the original acquisition cost. CGT will only become due when the transferee sells or gifts the shares if the transferee's net chargeable gains in that year exceed their annual exemption.

The no gain, no loss rule ceases in the year after a couple separate. However, from 6 April 2023 the period on which assets can be transferred on a no gain, no loss basis has been extended to up to three years after the year a couple cease to live together or no time limit where assets are transferred between a couple as part of a formal divorce agreement.

Example 3

Stan also owns 10,000 shares in Ferrer Plc. His acquisition cost is £10,500.

He transferred them to his wife, Venus, in 2017. The proceeds were deemed to be £10,500 (a transfer at no gain, no loss).

In the 2024-25 tax year, Venus sells the shares for £12,000. Her chargeable gain is:

	£
Net proceeds	12,000
Less acquisition cost	-10,500
Chargeable gain	**1,500**

If this is her only disposal in the year, no CGT will be due, as the gain will be covered by the annual exemption. She will be liable for CGT if she has total gains after loss relief exceeding the annual exemption.

What happens if shares are gifted to someone other than a spouse or civil partner?

If shares are gifted to someone other than a spouse or civil partner, it's treated as making a disposal and the proceeds are deemed to be the market value of the shares as at the date of the gift. Any gain is included in the CGT calculation as usual.

Any losses can be offset under the normal rules, unless the gift was made to any of the following:

- A relative
  - Sibling
  - Ancestors (parents or grandparents)
  - Descendants (children and grandchildren)
- The spouse or civil partner of a relative
- A trust

These losses can only be offset against a gain made on another disposal to the same person in the same or future years. For further information please see:

www.gov.uk/capital-gains-tax/losses

Special rules – moving abroad

What happens if shares are sold after moving abroad?

If shares are sold while the individual is living abroad but which were bought before they left the UK, CGT will be chargeable on any gains made on the sale in the tax year that are returned to the UK if all of the following rules apply:

- Individual was a resident in the UK for tax purposes for at least four of the seven tax years prior to their departure from the UK;
- At the date of sale, the individual was either:
  - Not resident in the UK for UK tax purposes; or
  - Dual resident i.e. the UK was not their sole residence for UK tax purposes; and
  - They resume sole residence in the UK for tax purposes within five tax years of their departure from the UK.

The individual may be able to claim double taxation relief if they've paid overseas tax on the sale of their shares.

There's currently no charge to CGT if an individual disposes of any shares which they've both acquired and disposed of while they aren't resident in the UK for tax purposes.

Summary

- CGT may be due whenever an individual makes an overall gain on the sale or gift of an asset.
- When calculating the gain or loss on the sale or gift of a shareholding, rules need to be considered which apply in the particular circumstances of the sale or gift.
- If an individual made a loss on the sale or gift of any shares in the current year or have losses brought forward from earlier years, the loss relief rules need to be considered.
- Individuals are entitled to an annual exemption. This means that, after loss relief has been considered, their total gains for the year up to the value of the annual exemption don't incur a CGT charge.
- Once the gains have exceeded the annual exemption, the rate of tax is either 18% or 24% and the applicable rate depends on the income tax position for the year.

Worked example – Calculating the CGT liability

David, who is UK resident, made the following disposals in 2025-26 and had no capital losses brought forward. His taxable income after utilising the personal allowance was £36,700.

Shareholding 1 – Nadal Plc

David purchased 10,000 shares in Nadal Plc as follows:

2,000 in January 2008 for £6,000

1,000 in February 2009 for £3,500

1,000 in August 2013 for £4,500

In June 2018, David decides to purchase 500 shares a month for 12 months. The monthly subscriptions total £6,750.

In July 2025, David sells 6,000 shares in Nadal Plc and receives net proceeds of £32,650.

His total acquisition cost of £20,750 is calculated as follows:

Number of shares	£
2,000	6,000
1,000	3,500
1,000	4,500
6,000	6,750
10,000	**20,750**

His chargeable gain is therefore calculated as follows:

	£
Net proceeds	32,650
Less acquisition cost	
£20,750 x 6,000 / (6,000 + 4,000)	-12,450
Chargeable gain	**20,200**

Shareholding 2 – Federer accumulation units

David sells 5,000 units in Federer accumulation units for £11,800 in August 2023. He purchased them for £10,000 in July 2019.

The following notional income was declared and accumulated within the units (totalling £335):

September 2019	£50
September 2020	£80
September 2021	£95
September 2022	£110

In September 2019, the equalisation payment is £35.

His chargeable gain is therefore:

		£
Net proceeds		11,800
Less acquisition cost		
Original acquisition cost	10,000	
Accumulated income	335	
Less equalisation payment	-35	
		-10,300
Chargeable gain		**1,500**

Shareholding 3 – Murray Limited

David bought 2,000 shares in Murray Limited for £10,000 in July 2008. David sells them for £1,750 in September 2023. His allowable loss is:

	£
Net proceeds	1,750
Less acquisition cost	-10,000
Chargeable gain	**-8,250**

His allowable loss is £8,250. David can offset this against his gains in Shareholding 1 and Shareholding 2.

Summary

David's net chargeable gains are

	£
Shareholding 1	20,200
Shareholding 2	1,500
Shareholding 3	–8,250
Total net chargeable gains	**13,450**
Less annual allowance	–3,000
Gains chargeable to tax	**10,450**
10% rate – £1,000 (see below)	100.00
20% rate – £9,450	1,890.00
Total CGT due	**1,990.00**

As the basic rate band for is £37,700, this means that £1,000 of the basic rate band is still available, and the chargeable gains falling within the basic rate band will be taxed at 10%.

The remaining £6,450 of chargeable gains will be taxed at 20%.

The CGT liability is due to be paid by 31 January 2027.

If David's income after the personal allowance had been £37,700 or more, the whole of the gain would have been chargeable at 20%.

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