

BEWARE “BED AND BREAKFAST” ANTI-AVOIDANCE

Many investors may be looking to realise capital gains on their investments at the current rates, just in case there is an increase with effect from 30 October 2024. They may then wish to repurchase those investments after the change in rates to retain the balance of investments in their portfolio. Where the same shares and securities are bought back within 30 days of the date of disposal, the shares bought back would be matched with those sold and the desired capital gain and increase in base cost may be negated.

For example, if 1000 shares in A plc were bought for £2 a share several years ago and are sold on 29 October 2024 for £4.50 a share there would be an apparent £2,500 capital gain, potentially tax free if the £3,000 2024/25 CGT annual exemption is unused. However, if the same class of shares in A plc are purchased on say 5 November 2024 for £4.45 a share there would be a £50 capital loss instead of the desired capital gain and the base cost would remain at £2 a share. This is because the repurchase is within 30 days.