



UK Taxation Basic Guide

This guide is designed to provide information on how an individual who takes out an Ardan Portfolio Account will be taxed once they become a UK resident and dispose of any assets.

HOW IS IT TAXED?

For a UK tax resident, disposal of an asset (e.g. encashment or switch of a fund) held in the portfolio that realises a gain could potentially be subject to capital gain tax (CGT).

WHAT IS CAPITAL GAINS TAX?

It is a tax when disposing of a chargeable asset. Only the gain (increase in value), after the deduction of any costs, allowable losses and the annual exemption is taxable and not the amount received.

The assets held in the portfolio are treated independently when calculating whether there has been any gain or loss for CGT. This makes it possible to dispose of one asset and retain another therefore allowing any CGT liability to be spread over different tax years.

THE ANNUAL EXEMPTION

The annual exemption is available to each UK tax resident. For 2019/2020 the annual exemption is £12,000. If the gain falls within the annual exemption there will be no tax liability.

Example

Mr Smith has a share portfolio he bought in 2010 for £10,000. He sells the whole portfolio in 2019 for £21,000 realising a gain of £11,000 (£21,000 - £10,000).

The gain falls within the available CGT annual exemption of £12,000. Therefore, there is no tax liability.

The annual exemption is deducted after any 'allowable losses' from the same tax year have been deducted. It cannot be carried forward to another tax year.

ALLOWABLE LOSSES

When a loss is realised from the disposal of a 'chargeable asset' this is called an 'allowable loss'; these can be offset against any gains. You have up to 4 years after the end of the tax year that the asset was disposed of to claim an 'allowable loss' and report this to HMRC.

It is only possible to claim an 'allowable loss' where the disposal of the asset would have resulted in a CGT liability had there been a gain.

Every care has been taken to ensure that the information provided is current and in accordance with our understanding of current law and Her Majesty's Revenue and Customs' (HMRC) practice as at March 2020. You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.