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CAPITAL GAINS TAX 101

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Capital Gains Tax (CGT) was introduced in 1965 by Chancellor James Callaghan to curb property speculation and ensure fairness between earned income and capital growth. While cynics suggest its primary goal was simply to bolster Treasury coffers, the tax has evolved significantly. Over the decades, it has been aligned with income tax, adjusted by successive governments, and shifted from a tax on the wealthy few to one that affects many more of us today.

At Continuum, we're looking at what CGT means in 2026. The short answer? It's complicated.

When do you pay CGT?

You may be liable for CGT when you sell or give away assets that have increased in value. Importantly, you aren't taxed on the total sale proceeds, but only on the "gain"- the profit made since you acquired the asset.

For example, if you bought £12,000 worth of shares and sold them for £20,000, your gain is £8,000. However, you have an Annual Exempt Amount (AEA). For the 2025/26 tax year, the AEA is £3,000. If that £8,000 was your only gain that year, you would likely only pay tax on £5,000.

What assets do you pay CGT on?

CGT applies to investments, property (excluding your main home), and "chattels" - tangible moveable possessions like art, antiques, or jewelry. For CGT purposes, you only need to account for chattels worth more than £6,000. Most importantly, CGT hits financial assets like shares and investments if they aren't sheltered within ISAs or pensions.

How much CGT will you pay?

Here's another layer of complication. The rate of CGT you pay will depend on your rate of income tax.

As basic rate tax bracket you will be taxed at a rate of 18 % for disposals made on or after 6 April 2026, on all capital gains above your Annual Exempt Amount.

If your taxable gain pushes your income over the £50,270 higher rate threshold you will pay tax at the rate for a higher rate taxpayer. Higher or additional rate taxpayers will be taxed at a rate of 24%.

Fortunately, capital gains from all sources are now charged at the same rates.

How do you calculate your gain?

A gain is the sale price minus the original cost. You can often deduct transaction fees, estate agent commissions, or capital spent on improving the asset. If you inherited the asset, the gain is calculated based on its market value at the date you took ownership. For shares bought at various prices over time, they are treated as a single asset with an "average cost."

How do you pay CGT?

If you sell an asset and have made a taxable gain, you'll need to declare it to HMRC on your personal self-assessment tax return. For residential property, you may be required to file an additional return within 60 days of selling.

For most assets, the CGT is payable on or before 31 January with the tax return, but for residential property the payment is due 60 days after the property sale.

Can you cut the cost of CGT?

Inflation can mean huge increases in the value of assets over the years, leaving you exposed to high levels of CGT.

Fortunately, there are ways to help mitigate the costs you face. Making a loss on the disposal of other assets might let you reduce your overall gains, and consequently the tax you owe, while careful timing of the sale of assets could let you take advantage of several years' worth of Annual Exempt Amount.

Of course, as CGT is complicated, so is reducing its impact. An appropriate solution may be to call us at Continuum to let us develop an asset disposal solution to help to reduce your tax bill.

To get our professional advice, call us today.

Source

Capital Gains Tax: what you pay it on, rates and allowances: Overview - GOV.UK

Report and pay your Capital Gains Tax: What you need to do - GOV.UK

Capital gains tax: background history

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