

## Useful information for the example

The cost of your shares are used in the following order:

1. purchases on the same day as the sale or disposal;
2. purchases within 30 days after the day of sale or disposal
3. the rest of the shares you hold
4. purchases more than 30 days after the day of sale or disposal

Any shares held **before 31 March 1982** are treated as if you bought them at what they would have cost on that date – we call this the market value.

## Example

*Jon Sparrow, who has always lived in the UK has the following purchases and sales of ordinary 25p shares in Blackbird plc. Blackbird ordinary 25p shares were worth 200p per share at 31 March 1982. In 2008/09, Jon made no disposals of chargeable assets other than as shown below.*

<i>Date</i>	<i>Shares bought/(sold)</i>	<i>Cost/ (proceeds)</i>
1 March 1981	1,000	£2,000
31 October 1983	2,000	£4,500
31 December 1996	500	£1,800
23 May 2008	(1,000)	£(3,900)
25 May 2008	2,000	£7,600
10 January 2009	(3,000)	£(20,000)
Remaining holding	1,500	

### ***Sale of shares 23 May 2008***

There were no purchases on the same day – see (1) so the disposal on 23 May 2008 is matched with 1,000 of the shares bought on 25 May 2008 (under the 30-day rule at (2) above). The resulting chargeable gain is as follows.

	£
Proceeds	3,900
Cost ( £ 7,600 × 1,000/2,000)	<u>3,800</u>
Chargeable gain	<u>£ 100</u>

### ***Sale of shares 10 January 2009***

There were no purchases on the same day - see (1) or within the previous 30 days - see (2). So the disposal of 3,000 shares on 2 January 2009 is matched with 3,000 of the 4,500 (see (3) above) as follows.

	<i>No of shares</i>	<i>Qualifying expenditure £</i>
Shares acquired 1 May 1980 (note i)	1,000	2,000
Additional shares 31 October 1983	2,000	4,500
Additional shares 31 December 1996	500	1,800
Additional shares 25 May 2008	<u>1,000</u>	<u>3,800</u>
	4,500	12,100
Disposal 10 January 2009	<u>(3,000)</u>	<u>(8,067)*</u>
Pool carried forward	<u>1,500</u>	<u>£4,033</u>

\* This figure is the cost relating to the 3000 shares which is worked out as  $(3000/4500 \times 12,100) = £8,107$

The chargeable gain is as follows.

	<i>£</i>
Proceeds	20,000
Cost ( $£12,100 \times 3,000/4,500$ )	<u>8,067</u>
Chargeable gain	<u>£11,933</u>

Total chargeable gains 2008/09 are  $£100 + £11,933 = £12,033$

From this amount we take of the **£9,600 annual exemption** that everyone gets - so assuming you have no other sales or disposals in the year - the amount that you will pay tax on is  $£12,033 - 9,600 = £2,433$ .

Tax on this amount is payable at **18%** so your Capital Gains Tax bill would be **£437.94**.

If you make any further sales or disposals in the future – you will need to carry out this same exercise again every time – so as we set out above - you look at any purchases on the same day as the disposal, then purchases within 30 days after the day of disposal and then the rest of the shares you hold (the 1,500 which we worked out above with a remaining cost of £4,033) and then any purchases more than 30 days after the day of disposal.