STATUTORY INSTRUMENTS

1988 No. 506

TAXES

The Capital Gains Tax (Annual Exempt Amount) Order 1988

Made - - - - *15th March 1988*

The Treasury, in pursuance of section 5(1C) of the Capital Gains Tax Act 1979(a), hereby make the following Order:

1. This Order may be cited as the Capital Gains Tax (Annual Exempt Amount) Order 1988.

2. The amount specified, which by virtue of section 5 of the Capital Gains Tax Act 1979 is, unless Parliament otherwise determines, the exempt amount for the year 1988–89, is £6,900.

Tony Durant
David Lightbown
15th March 1988 Two of the Lords Commissioners of Her Majesty's Treasury

(a) 1979 c.14; section 5(1C) was inserted by section 80(2) of the Finance Act 1982 (c.39).

EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies £6,900 as the amount which, under section 5 of the Capital Gains Tax Act 1979 ("section 5") (as amended by section 77 of the Finance Act 1980 (c.48) and section 80 of the Finance Act 1982), is the exempt amount for the year 1988–89 unless Parliament otherwise determines. The amount of £6,900 is the amount for 1987–88 increased by the amount of the percentage increase (3.7%) in the retail prices index for December 1987 over that for December 1986. The amount has been rounded up to the nearest £100 in accordance with section 5(1B).

The "retail prices index" is defined in section 24(8) of the Finance Act 1980 (as extended to the Capital Gains Tax Act 1979 by section 80(4) of the Finance Act 1982) as the "general index of retail prices (for all items) published by the Department of Employment". The retail prices index for December 1986 is 393.0 (based on January 1974 as 100) and for December 1987 103.3 (based on January 1987 as 100). (Table 6.4 on pages S56 and S57 of the February 1988 number of the *Employment Gazette*, the official journal of the Department of Employment. The retail prices index for January 1987 is 394.5 (based on January 1974 as 100) and the percentage increase is calculated thus: $\left(\frac{103.3 \times 394.5}{393}\right) - 100.$)

The exempt amount has several applications for capital gains tax. Under section 5(1) an individual's gains for a year of assessment are chargeable to tax only to the extent that they exceed the exempt amount. Under paragraphs 4 to 6 of Schedule 1 to the Capital Gains Tax Act 1979 ("paragraphs 4 to 6") (as amended by section 77 of the Finance Act 1980, section 89 of the Finance Act 1981 (c.35) and by section 80 of the Finance Act 1982), section 5(1) also applies, subject to detailed rules, to personal representatives, trustees of settlements for mentally disabled persons or persons in receipt of attendance allowance, and, as to one half of the exempt amount, trustees of other settlements.

Under section 5(5) an individual may, if appropriate, and unless an Inspector otherwise requires, satisfy his obligation to make a return of chargeable gains by stating that his gains do not exceed the exempt amount for the year and that the proceeds of his disposals in the year do not exceed an amount equal to twice the exempt amount. Under paragraphs 4 to 6, section 5(5) also applies to personal representatives and, subject to detailed rules, to trustees.

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