



Taxation of Chargeable Gains Act 1992

1992 CHAPTER 12

PART II U.K.

GENERAL PROVISIONS RELATING TO COMPUTATION OF GAINS AND ACQUISITIONS AND DISPOSALS OF ASSETS

CHAPTER I U.K.

INTRODUCTORY

15 Computation of gains. U.K.

- (1) The amount of the gains accruing on the disposal of assets shall be computed in accordance with this Part, subject to the other provisions of this Act.
- (2) Every gain shall, except as otherwise expressly provided, be a chargeable gain.

16 Computation of losses. U.K.

- (1) Subject to [^{F1}sections 261B, 261D and 263ZA] and except as otherwise expressly provided, the amount of a loss accruing on a disposal of an asset shall be computed in the same way as the amount of a gain accruing on a disposal is computed.
- (2) Except as otherwise expressly provided, all the provisions of this Act which distinguish gains which are chargeable gains from those which are not, or which make part of a gain a chargeable gain, and part not, shall apply also to distinguish losses which are allowable losses from those which are not, and to make part of a loss an allowable loss, and part not; and references in this Act to an allowable loss shall be construed accordingly.

[^{F2}(2A) A loss accruing to a person in a year of assessment shall not be an allowable loss for the purposes of this Act unless, in relation to that year, he gives a notice to an officer of the Board quantifying the amount of that loss; and sections 42 and 43 of the Management Act shall apply in relation to such a notice as if it were a claim for relief.]

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(3) A loss accruing to a person in a year of assessment [^{F3}where the residence condition is not met (see section 2(1A))] shall not be an allowable loss for the purposes of this Act unless, under section [^{F4}2B,] 10^{F5}, 10B, 14D or 188D] he would be chargeable to tax in respect of a chargeable gain if there had been a gain instead of a loss on that occasion.

[^{F6}(3A) If the person is an individual and the year is a split year as respects that individual, subsection (3) also applies to a loss accruing to the individual in the overseas part of that year.]

^{F7}(4)

Textual Amendments

- F1** Words in s. 16(1) substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\), Sch. 1 para. 298](#) (with [Sch. 2](#))
- F2** S. 16(2A) inserted (with effect in accordance with s. 103(7) of the amending Act) by [Finance Act 1995 \(c. 4\), s. 113\(1\)](#)
- F3** Words in s. 16(3) substituted (with effect in accordance with Sch. 46 para. 112 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 46 para. 78](#)
- F4** Word in s. 16(3) inserted (with effect in accordance with Sch. 25 para. 20 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 25 para. 8](#)
- F5** Words in s. 16(3) substituted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 7 para. 12](#)
- F6** S. 16(3A) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 45 para. 97](#)
- F7** S. 16(4) omitted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\), Sch. 7 para. 61](#)

Modifications etc. (not altering text)

- C1** S. 16 excluded (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\), regs. 1\(1\), 42\(2\)](#)
- C2** S. 16 excluded by [The Authorised Investment Funds \(Tax\) Regulations 2006 \(S.I. 2006/964\), reg. 85Z4](#) (as inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [S.I. 2010/294, regs. 1\(1\), 21](#))

[^{F8}16ZA Losses: non-UK domiciled individuals **U.K.**

- [^{F9}(1) An individual may make an election under this section in respect of—
- (a) the first tax year in which section 809B of ITA 2007 (claim for remittance basis) applies to the individual, or
 - (b) the first tax year in which that section applies to the individual following a period in which the individual has been domiciled in the United Kingdom.
- (2) Where an individual makes an election under this section in respect of a tax year, the election has effect in relation to the individual for—
- (a) that tax year, and
 - (b) all subsequent tax years.
- (2A) But if after making an election under this section an individual becomes domiciled in the United Kingdom at any time in a tax year, the election does not have effect in relation to the individual for—

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- (a) that tax year, or
 - (b) any subsequent tax year.
- (2B) Where an election made by an individual under this section in respect of a tax year ceases to have effect by virtue of subsection (2A), the fact that it has ceased to have effect does not prevent the individual from making another election under this section in respect of a later tax year.
- (3) If an individual does not make an election under this section in respect of a year referred to in subsection (1)(a) or (b), foreign losses accruing to the individual in—
- (a) that tax year, or
 - (b) any subsequent tax year except one in which the individual is domiciled in the United Kingdom,
- are not allowable losses.]
- (4) Sections 42 and 43 of the Management Act (procedure and time limit for making claims), except section 42(1A) of that Act, apply in relation to an election under this section as they apply in relation to a claim for relief.
- (5) An election under this section is irrevocable.
- (6) In this section “foreign loss” means a loss accruing from the disposal of an asset situated outside the United Kingdom.
- [Section 835BA of ITA 2007 (deemed domicile) applies for the purposes of this ^{F10}(7) section.]

Textual Amendments

- F8** Ss. 16ZA-16ZD inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 62](#)
- F9** S. 16ZA(1)-(3) substituted (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 3\(2\)](#)
- F10** S. 16ZA(7) inserted (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 3\(3\)](#)

16ZB Individual who has made election under section 16ZA: foreign chargeable gains remitted in tax year after tax year in which accrue **U.K.**

- (1) This section applies to an individual for a tax year (“the applicable tax year”) if—
- ^{F11}(a) the individual has made an election under section 16ZA in respect of a tax year before the applicable year,
 - (aa) the election has effect in relation to the individual for the applicable year,
 - (b) foreign chargeable gains accrued to the individual in or after the tax year in respect of which the election was made but before the applicable year, and]
 - (c) by reason of the remission of any of the foreign chargeable gains to the United Kingdom, chargeable gains are treated under section 12 as accruing to the individual in the applicable tax year ^{F12}or a part of the applicable tax year] (“the relevant gains”).
- (2) Section 2(2) or (4) has effect for the applicable tax year as if the relevant gains had not accrued.

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- (3) The amount on which the individual is charged to capital gains tax for the applicable tax year is (instead of the amount given by section 2(2) or (4)(b), as reduced under section 3) the sum of—
- (a) the adjusted taxable amount, and
 - (b) the amount of the relevant gains.
- (4) “The adjusted taxable amount” is—
- (a) if section 3(1) (annual exempt amount) does not apply to the individual for the applicable tax year, the amount given by section 2(2) or (4)(b) as it has effect by virtue of subsection (2), and
 - (b) otherwise, so much of that amount as exceeds the exempt amount for the applicable tax year (within the meaning of section 3).
- (5) In subsection (1) “foreign chargeable gains” has the meaning given by section 12(4).
- (6) For the purposes of subsection (1)(c) foreign chargeable gains are remitted to the United Kingdom if they are regarded as so remitted for the purposes of section 12.

Textual Amendments

- F8** Ss. 16ZA-16ZD inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 62](#)
- F11** S. 16ZB(1)(a)(aa)(b) substituted for s. 16ZB(1)(a)(b) (with effect in accordance with Sch. 8 para. 4(2) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 4\(1\)](#)
- F12** Words in s. 16ZB(1)(c) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 98](#)

Modifications etc. (not altering text)

- C3** S. 16ZB excluded (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 3\(5\)](#)

16ZC Individual who has made election under section 16ZA and to whom remittance basis applies **U.K.**

- (1) This section applies to an individual for a tax year if—
- ^{F13}(a) the individual has made an election under section 16ZA in respect of the tax year or any earlier tax year,
 - (b) the election has effect in relation to the individual for the tax year, and
 - (c) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the individual for the tax year.]
- (2) The following steps apply for the purpose of calculating the amount on which the individual is to be charged to capital gains tax for the tax year.

Step 1

Deduct any relevant allowable losses from the chargeable gains referred to in subsection (3) in the order in which they appear there (starting with paragraph (a) of that subsection).

If allowable losses are deductible from the chargeable gains referred to in subsection (3)(b) but are not enough to exhaust them all—

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- (a) those chargeable gains are to be ordered according to the day on which they accrued,
- (b) the losses are to be deducted from those gains in reverse chronological order (starting with the last chargeable gain to accrue), and
- (c) if allowable losses are deductible from chargeable gains that accrued on a particular day but are not enough to exhaust all of the chargeable gains that accrued on that day, the amount deducted from each of those chargeable gains is the appropriate proportion of the losses.

In paragraph (c) “the appropriate proportion”, in relation to a chargeable gain, is the amount of that gain divided by the total amount of the chargeable gains that accrued on the day in question.

Step 2

Treat the amount referred to in section 2(2) or (4)(a) or 16ZB(3)(a) as being equal to—

- (a) the amount it would be if there were no relevant allowable losses, minus
- (b) the total amount deducted under Step 1 from chargeable gains within subsection (3)(a) or (c).

(3) The chargeable gains are—

- (a) foreign chargeable gains accruing to the individual in the tax year, to the extent that they are remitted to the United Kingdom in that year [^{F14}or, if that year is a split year as respects the individual, in the UK part of that year],
- (b) foreign chargeable gains accruing to the individual in that year, to the extent that they are not so remitted in that year [^{F15}or they are so remitted in that year but it is a split year as respects the individual and they are so remitted in the overseas part of the year], and
- (c) chargeable gains accruing to the individual in that year (other than foreign chargeable gains).

(4) Chargeable gains treated as accruing under section 87 or 89(2) (read, where appropriate, with section 10A) are not within any paragraph of subsection (3).

(5) Chargeable gains treated as accruing under section 12 are not within subsection (3)(c).

(6) For the purposes of subsection (3) foreign chargeable gains are remitted to the United Kingdom if they are regarded as so remitted for the purposes of section 12.

(7) In this section—

“relevant allowable losses” means the allowable losses that section 2(2) provides may be deducted from chargeable gains accruing to the individual in the tax year [^{F16}or a part of the tax year], and

“foreign chargeable gains” has the meaning given by section 12(4).

Textual Amendments

F8 Ss. 16ZA-16ZD inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 62](#)

F13 S. 16ZC(1)(a)-(c) substituted (with effect in accordance with Sch. 8 para. 5(2) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 5\(1\)](#)

F14 Words in s. 16ZC(3)(a) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 99\(2\)\(a\)](#)

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F15 Words in s. 16ZC(3)(b) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 99\(2\)\(b\)](#)

F16 Words in s. 16ZC(7) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 99\(3\)](#)

Modifications etc. (not altering text)

C4 S. 16ZC excluded (with effect in accordance with Sch. 8 para. 3(4) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 8 para. 3\(5\)](#)

16ZD Section 16ZC: supplementary **U.K.**

- (1) This section applies if section 16ZC applies to an individual for a tax year.
- (2) Any allowable loss deducted under step 1 of section 16ZC(2) is to be regarded (for the purposes of section 2(2)(b)) as allowed as a deduction from chargeable gains accruing to the individual in the tax year.
- (3) If a deduction is made under step 1 of section 16ZC(2) from a foreign chargeable gain within section 16ZC(3)(b), the amount of the foreign chargeable gain is reduced by the amount deducted.]

Textual Amendments

F8 Ss. 16ZA-16ZD inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 62](#)

[^{F17}16A Restrictions on allowable losses **U.K.**

- (1) For the purposes of this Act, “allowable loss” does not include a loss accruing to a person if—
 - (a) it accrues to the person directly or indirectly in consequence of, or otherwise in connection with, any arrangements, and
 - (b) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage.
- (2) For the purposes of subsection (1)—

“arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable), and

“tax advantage” means—

 - (a) relief or increased relief from tax,
 - (b) repayment or increased repayment of tax,
 - (c) the avoidance or reduction of a charge to tax or an assessment to tax, or
 - (d) the avoidance of a possible assessment to tax,

and for the purposes of this definition “tax” means capital gains tax, corporation tax or income tax.
- (3) For the purposes of subsection (1) it does not matter—
 - (a) whether the loss accrues at a time when there are no chargeable gains from which it could otherwise have been deducted, or

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- (b) whether the tax advantage is secured for the person to whom the loss accrues or for any other person.]

Textual Amendments

- F17** S. 16A inserted (with effect in accordance with s. 27(6) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [s. 27\(3\)](#)

17 Disposals and acquisitions treated as made at market value. **U.K.**

- (1) Subject to the provisions of this Act, a person's acquisition or disposal of an asset shall for the purposes of this Act be deemed to be for a consideration equal to the market value of the asset—
- where he acquires or, as the case may be, disposes of the asset otherwise than by way of a bargain made at arm's length, and in particular where he acquires or disposes of it by way of gift or on a transfer into settlement by a settlor or by way of distribution from a company in respect of shares in the company, or
 - where he acquires or, as the case may be, disposes of the asset wholly or partly for a consideration that cannot be valued, or in connection with his own or another's loss of office or employment or diminution of emoluments, or otherwise in consideration for or recognition of his or another's services or past services in any office or employment or of any other service rendered or to be rendered by him or another.
- (2) Subsection (1) shall not apply to the acquisition of an asset if—
- there is no corresponding disposal of it, and
 - there is no consideration in money or money's worth or the consideration is of an amount or value lower than the market value of the asset.

Modifications etc. (not altering text)

- C5** S. 17 excluded (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 7\(4\)](#)
- C6** S. 17 excluded (with saving) (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 11\(2\)](#)
- C7** S. 17 excluded (15.1.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 26 para. 24\(1\)](#) (with [Sch. 26 para. 24\(2\)](#)); S.I. 2000/3376, art. 2
- C8** S. 17 excluded (15.1.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 26 para. 31\(1\)](#) (with [Sch. 26 para. 31\(2\)](#)); S.I. 2000/3376, art. 2
- C9** S. 17 restricted (E.W.S.) (24.7.2005) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 25](#); S.I. 2005/1909, art. 2, [Sch.](#)
- C10** S. 17 excluded (22.7.2008) by [Crossrail Act 2008 \(c. 18\)](#), [Sch. 13 para. 39\(1\)](#)
- C11** S. 17 excluded (8.9.2008 for specified purposes) by [Housing and Regeneration Act 2008 \(c. 17\)](#), s. 325(1), [Sch. 7 para. 7\(2\)](#); S.I. 2008/2358, arts. 2(1), 3(1)
- C12** S. 17 restricted (30.9.2013) by [The BRB \(Residuary\) Limited \(Tax Consequences\) Order 2013 \(S.I. 2013/2242\)](#), arts. 1, [3\(b\)](#)
- C13** S. 17(1) excluded (3.1.1995) by [The Ports \(Northern Ireland\) Order 1994 \(S.I. 1994/2809 \(N.I. 16\)\)](#), arts. 1(2), [18\(4\)](#)
- C14** S. 17(1) excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 653\(3\)](#), 1329(1) (with [Sch. 2 Pts. 1, 2](#), [Sch. 2 para. 94](#))

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18 Transactions between connected persons. U.K.

- (1) This section shall apply where a person acquires an asset and the person making the disposal is connected with him.
- (2) Without prejudice to the generality of section 17(1) the person acquiring the asset and the person making the disposal shall be treated as parties to a transaction otherwise than by way of a bargain made at arm's length.
- (3) Subject to subsection (4) below, if on the disposal a loss accrues to the person making the disposal, it shall not be deductible except from a chargeable gain accruing to him on some other disposal of an asset to the person acquiring the asset mentioned in subsection (1) above, being a disposal made at a time when they are connected persons.
- (4) Subsection (3) above shall not apply to a disposal by way of gift in settlement if the gift and the income from it is wholly or primarily applicable for educational, cultural or recreational purposes, and the persons benefiting from the application for those purposes are confined to members of an association of persons for whose benefit the gift was made, not being persons all or most of whom are connected persons.
- (5) Where the asset mentioned in subsection (1) above is an option to enter into a sale or other transaction given by the person making the disposal a loss accruing to the person acquiring the asset shall not be an allowable loss unless it accrues on a disposal of the option at arm's length to a person who is not connected with him.
- (6) Subject to subsection (7) below, in a case where the asset mentioned in subsection (1) above is subject to any right or restriction enforceable by the person making the disposal, or by a person connected with him, then (where the amount of the consideration for the acquisition is, in accordance with subsection (2) above, deemed to be equal to the market value of the asset) that market value shall be—
 - (a) what its market value would be if not subject to the right or restriction, minus—
 - (b) the market value of the right or restriction or the amount by which its extinction would enhance the value of the asset to its owner, whichever is the less.
- (7) If the right or restriction is of such a nature that its enforcement would or might effectively destroy or substantially impair the value of the asset without bringing any countervailing advantage either to the person making the disposal or a person connected with him or is an option or other right to acquire the asset or, in the case of incorporeal property, is a right to extinguish the asset in the hands of the person giving the consideration by forfeiture or merger or otherwise, the market value of the asset shall be determined, and the amount of the gain accruing on the disposal shall be computed, as if the right or restriction did not exist.
- (8) Subsections (6) and (7) above shall not apply to a right of forfeiture or other right exercisable on breach of a covenant contained in a lease of land or other property, and shall not apply to any right or restriction under a mortgage or other charge.

19 Deemed consideration in certain cases where assets disposed of in a series of transactions. U.K.

- (1) For the purposes of this Act, in any case where—
 - (a) by way of 2 or more material transactions which are linked (a series of linked transactions), one person disposes of assets to another person with whom he

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is connected or to 2 or more other persons with each of whom he is connected, and

- (b) the original market value of the assets disposed of by any of the transactions in the series, as determined under section 20, is less than the appropriate portion of the aggregate market value of the assets disposed of by all the transactions in the series, as so determined,

then, subject to subsection (2) below, the disposal effected by any linked transaction in the series in respect of which the condition in paragraph (b) above is fulfilled shall be deemed to be for a consideration equal to the appropriate portion referred to in that paragraph.

- (2) Where the disposal effected by a material transaction is one to which section 58 applies, nothing in subsection (1) above shall affect the amount which, for the purposes of this Act, is the consideration for that disposal.
- (3) Subject to subsection (5) below, any reference in this section to a material transaction is a reference to a transaction by way of gift or otherwise; and, for the purposes of this section, 2 or more material transactions are linked if they occur within the period of 6 years ending on the date of the last of them.
- (4) This section shall apply or, as the case may be, shall again apply—
- (a) when a second material transaction causes a series of linked transactions to come into being; and
- (b) whenever, on the occurrence of a further material transaction, an existing series is extended by the inclusion of that transaction (whether or not an earlier transaction ceases to form part of the series);

and all such assessments and adjustments of assessments shall be made as may be necessary to give effect to this section on each such occasion.

- (5) Where a member of a group of companies disposes of an asset to another member of the group in circumstances such that, by virtue of section 171, both companies are treated, so far as relates to corporation tax on chargeable gains, as if the consideration for the disposal were of such an amount as would secure that neither a gain nor a loss would accrue, the transaction by which that disposal is effected is not a material transaction; and a disposal in these circumstances is in this section referred to as an “inter-group transfer”.

- (6) In any case where—
- (a) a company (“company A”) disposes of an asset by way of a material transaction, and
- (b) company A acquired the asset after 19th March 1985 by way of an inter-group transfer, and
- (c) the disposal by company A is to a person who is connected with another company (“company B”) which at some time after 19th March 1985 disposed of the asset by way of an inter-group transfer, and
- (d) either the disposal by way of inter-group transfer which is referred to in paragraph (c) above was the occasion of the acquisition referred to in paragraph (b) above or, between that disposal and that acquisition, there has been no disposal of the asset which was not an inter-group transfer,

then, for the purpose of determining whether subsection (1) above applies in relation to a series of linked transactions, the disposal by company A shall be treated as having been made by company B; but any increase in the consideration for that disposal

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resulting from the application of subsection (1) above shall have effect with respect to company A.

20 Original market value and aggregate market value for purposes of section 19. U.K.

- (1) This section has effect for determining the original market value of assets and the aggregate market value of assets as mentioned in subsection (1)(b) of section 19.
- (2) Expressions used in this section have the same meaning as in that section.
- (3) Where there is a series of linked transactions, the original market value of the assets disposed of by each transaction in the series shall be determined as follows—
 - (a) if at the time in question the transaction is the most recent in the series, the original market value of the assets disposed of by that transaction is the market value which, apart from section 19, would be deemed to be the consideration for that transaction for the purposes of this Act; and
 - (b) in the case of any other transaction in the series, the original market value of the assets disposed of by that transaction is the value which, prior to the occurrence of the most recent transaction in the series, was or would have been deemed for the purposes of this Act to be the consideration for the transaction concerned (whether by virtue of the previous operation of section 19, or by virtue of any other provision of this Act).
- (4) Subject to subsections (6) to (9) below, in relation to any transaction in a series of linked transactions—
 - (a) any reference in this section or section 19 to the aggregate market value of the assets disposed of by all the transactions in the series is a reference to what would have been the market value of all those assets for the purposes of this Act if, considering all the assets together, they had been disposed of by one disposal occurring at the time of the transaction concerned; and
 - (b) any reference in section 19 to the appropriate portion of the aggregate market value of the assets disposed of by all the transactions in the series is a reference to that portion of the market value determined in accordance with paragraph (a) above which it is reasonable to apportion to those of the assets which were actually disposed of by the transaction concerned.
- (5) The reference in subsection (4)(a) above to considering all the assets together includes a reference not only to considering them as a group or holding or collection of assets retaining their separate identities but also (if it gives a higher market value) to considering them as brought together, physically or in law, so as to constitute either a single asset or a number of assets which are distinct from those which were comprised in each of the transactions concerned.
- (6) If any of the assets disposed of by all the transactions in a series of linked transactions were acquired after the time of the first of those transactions, then, in the application of subsections (4) and (5) above in relation to each of the transactions in the series—
 - (a) no account shall be taken of any assets which were acquired after the time of that transaction unless they were acquired by way of an inter-group transfer; and
 - (b) subject to subsection (7) below, the number of assets of which account is to be taken shall be limited to the maximum number which were held by the person making the disposal at any time in the period beginning immediately

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before the first of the transactions in the series and ending immediately before the last.

- (7) If, before the first of the transactions referred to in paragraph (b) of subsection (6) above, the person concerned (being a company) disposed of any assets by way of an inter-group transfer, the maximum number of assets referred to in that paragraph shall be determined as if the inter-group transfer had occurred after that first transaction.
- (8) In the application of subsection (6) above in a case where the assets disposed of are securities, the assets disposed of by any of the transactions in a series of linked transactions shall be identified with assets acquired on an earlier date rather than with assets acquired on a later date.
- (9) In subsection (8) above “securities” includes any assets which are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

CHAPTER II **U.K.**

ASSETS AND DISPOSALS OF ASSETS

General provisions

21 **Assets and disposals. U.K.**

- (1) All forms of property shall be assets for the purposes of this Act, whether situated in the United Kingdom or not, including—
- (a) options, debts and incorporeal property generally, and
 - [^{F18}(b) currency, with the exception (subject to express provision to the contrary) of sterling,]
 - (c) any form of property created by the person disposing of it, or otherwise coming to be owned without being acquired.
- (2) For the purposes of this Act—
- (a) references to a disposal of an asset include, except where the context otherwise requires, references to a part disposal of an asset, and
 - (b) there is a part disposal of an asset where an interest or right in or over the asset is created by the disposal, as well as where it subsists before the disposal, and generally, there is a part disposal of an asset where, on a person making a disposal, any description of property derived from the asset remains undisposed of.

Textual Amendments

F18 S. 21(1)(b) substituted (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), [Sch. 12 para. 9](#)

Modifications etc. (not altering text)

C15 S. 21(2)(b) applied by [1970 c. 9](#), [Sch. 3ZC para. 12\(2\)](#) (as inserted (retrospective to 11.7.2019 and with effect in accordance with [Sch. 7 para. 4\(1\)\(a\)](#) of the amending Act) by [Finance Act 2020 \(c. 14\)](#), [Sch. 7 para. 2](#))

C16 S. 21(2) applied (8.11.1995) by [Atomic Energy Authority Act 1995 \(c. 37\)](#), [Sch. 3 para. 4\(2\)](#)

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C17 S. 21(2) applied by 1970 c. 9, **Sch. 3ZB para. 14(5)** (as inserted (17.7.2013) by **Finance Act 2013 (c. 29), Sch. 49 paras. 6, 8**)

22 Disposal where capital sums derived from assets. **U.K.**

- (1) Subject to sections 23 and 26(1), and to any other exceptions in this Act, there is for the purposes of this Act a disposal of assets by their owner where any capital sum is derived from assets notwithstanding that no asset is acquired by the person paying the capital sum, and this subsection applies in particular to—
- (a) capital sums received by way of compensation for any kind of damage or injury to assets or for the loss, destruction or dissipation of assets or for any depreciation or risk of depreciation of an asset,
 - (b) capital sums received under a policy of insurance of the risk of any kind of damage or injury to, or the loss or depreciation of, assets,
 - (c) capital sums received in return for forfeiture or surrender of rights, or for refraining from exercising rights, and
 - (d) capital sums received as consideration for use or exploitation of assets.
- (2) In the case of a disposal within paragraph (a), (b), (c) or (d) of subsection (1) above, the time of the disposal shall be the time when the capital sum is received as described in that subsection.
- (3) In this section “capital sum” means any money or money’s worth which is not excluded from the consideration taken into account in the computation of the gain.
- [^{F19}(4) Subsection (1) does not apply where a company receives, or becomes entitled to receive—
- (a) a capital distribution within the meaning of section 122 (see instead subsection (1) of that section), or
 - (b) a distribution to which the charge to corporation tax on income under Part 9A of CTA 2009 (company distributions) applies or would apply were the distribution not exempt for the purposes of that Part.]

Textual Amendments

F19 S. 22(4) inserted (with effect in accordance with Sch. 3 paras. 5, 7 of the amending Act) by **Finance (No. 3) Act 2010 (c. 33), Sch. 3 para. 4(2)** (with Sch. 3 para. 6(3))

Modifications etc. (not altering text)

C18 S. 22 excluded (27.7.1993) by 1993 c. 37, s. 12, **Sch. 2 Pt. I para.17**

23 Receipt of compensation and insurance money not treated as a disposal. **U.K.**

- (1) If the recipient so claims, receipt of a capital sum within paragraph (a), (b), (c) or (d) of section 22(1) derived from an asset which is not lost or destroyed shall not be treated for the purposes of this Act as a disposal of the asset if—
- (a) the capital sum is wholly applied in restoring the asset, or
 - (b) (subject to subsection (2) below), the capital sum is applied in restoring the asset except for a part of the capital sum which is not reasonably required for the purpose and which is small as compared with the whole capital sum, or

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- (c) (subject to subsection (2) below), the amount of the capital sum is small, as compared with the value of the asset,
- but, if the receipt is not treated as a disposal, all sums which would, if the receipt had been so treated, have been brought into account as consideration for that disposal in the computation of the gain shall be deducted from any expenditure allowable under Chapter III of this Part as a deduction in computing a gain on the subsequent disposal of the asset.
- (2) If the allowable expenditure is less than the consideration for the disposal constituted by the receipt of the capital sum (or is nil)—
- (a) paragraphs (b) and (c) of subsection (1) above shall not apply, and
 - (b) if the recipient so elects (and there is any allowable expenditure)—
 - (i) the amount of the consideration for the disposal shall be reduced by the amount of the allowable expenditure, and
 - (ii) none of that expenditure shall be allowable as a deduction in computing a gain accruing on the occasion of the disposal or any subsequent occasion.

In this subsection “allowable expenditure” means expenditure which, immediately before the disposal, was attributable to the asset under paragraphs (a) and (b) of section 38(1).

- (3) If, in a case not falling within subsection (1)(b) above, a part of a capital sum within paragraph (a) or paragraph (b) of section 22(1) derived from an asset which is not lost or destroyed is applied in restoring the asset, then if the recipient so claims, that part of the capital sum shall not be treated as consideration for the disposal deemed to be effected on receipt of the capital sum but shall be deducted from any expenditure allowable under Chapter III of this Part as a deduction in computing a gain on the subsequent disposal of the asset.
- (4) If an asset is lost or destroyed and a capital sum received by way of compensation for the loss or destruction, or under a policy of insurance of the risk of the loss or destruction, is within one year of receipt, or such longer period as the inspector may allow, applied in acquiring an asset in replacement of the asset lost or destroyed the owner shall if he so claims be treated for the purposes of this Act—
- (a) as if the consideration for the disposal of the old asset were (if otherwise of a greater amount) of such amount as would secure that on the disposal neither a gain nor a loss accrues to him, and
 - (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the excess of the amount of the capital sum received by way of compensation or under the policy of insurance, together with any residual or scrap value, over the amount of the consideration which he is treated as receiving under paragraph (a) above.
- (5) A claim shall not be made under subsection (4) above if part only of the capital sum is applied in acquiring the new asset but if all of that capital sum except for a part which is less than the amount of the gain (whether all chargeable gain or not) accruing on the disposal of the old asset is so applied, then the owner shall if he so claims be treated for the purposes of this Act—
- (a) as if the amount of the gain so accruing were reduced to the amount of the said part (and, if not all chargeable gain, with a proportionate reduction in the amount of the chargeable gain), and

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- (b) as if the amount of the consideration for the acquisition of the new asset were reduced by the amount by which the gain is reduced under paragraph (a) of this subsection.
- [^{F20}(6) If a building (“the old building”) is destroyed or irreparably damaged, and all or part of a capital sum received by way of compensation for the destruction or damage, or under a policy of insurance of the risk of the destruction or damage, is applied by the recipient in constructing or otherwise acquiring a replacement building situated on other land (“the new building”), then for the purposes of subsections (4) and (5) above each of the old building and the new building shall be regarded as an asset separate from the land on which it is or was situated and the old building shall be treated as lost or destroyed.
- (7) For the purposes of subsection (6) above:
- (a) references to a building include references to any permanent or semi-permanent structure in the nature of a building; and
 - (b) the reference to a sum applied in acquiring the new building does not include a reference to a sum applied in acquiring the land on which the new building is situated; and
 - (c) all necessary apportionments shall be made of any expenditure, compensation or consideration, and the method of apportionment shall be such as is just and reasonable.
- (8) This section shall apply in relation to a wasting asset with the following modifications:
- (a) paragraphs (b) and (c) of subsection (1) above, and subsection (2) above, shall not apply; and
 - (b) in subsections (1) and (3) above, the amount of the expenditure from which the deduction is to be made shall be the amount which would have been allowable under Chapter III of this Part if the asset had been disposed of immediately after the application of the capital sum.]

Textual Amendments

F20 S. 23(6)(7)(8) substituted for s. 23(6) (with effect in accordance with Sch. 39 para. 3(3) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 39 para. 3\(2\)](#)

Modifications etc. (not altering text)

C19 S. 23(4) modified (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 3\(1\)\(3\)](#)

C20 S. 23(4) modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 3\(1\)-\(3\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.

C21 S. 23(4)(5) modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 10\(1\)\(3\)](#) (with [Sch. 7 para. 9\(1\)](#))

C22 S. 23(5) modified (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 3\(2\)\(3\)](#)

C23 S. 23(5) modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 3\(1\)-\(3\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.

24 Disposals where assets lost or destroyed, or become of negligible value. **U.K.**

- (1) Subject to the provisions of this Act and, in particular to [^{F21}sections 140A(1D), 140E(7) and 144], the occasion of the entire loss, destruction, dissipation or extinction

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of an asset shall, for the purposes of this Act, constitute a disposal of the asset whether or not any capital sum by way of compensation or otherwise is received in respect of the destruction, dissipation or extinction of the asset.

[^{F22}(1A) A negligible value claim may be made by the owner of an asset (“P”) if condition A or B is met.

(1B) Condition A is that the asset has become of negligible value while owned by P.

(1C) Condition B is that—

- (a) the disposal by which P acquired the asset was a no gain/no loss disposal,
- (b) at the time of that disposal the asset was of negligible value, and
- (c) between the time when the asset became of negligible value and the disposal by which P acquired it, each other disposal (if any) of the asset was a no gain/no loss disposal.]

[^{F23}(2) [^{F24}Where a negligible value claim is made:]

- (a) this Act shall apply as if the claimant had sold, and immediately reacquired, the asset at the time of the claim or (subject to paragraphs (b) and (c) below) at any earlier time specified in the claim, for a consideration of an amount equal to the value specified in the claim.
- (b) An earlier time may be specified in the claim if:
 - (i) the claimant owned the asset at the earlier time; and
 - (ii) the asset had become of negligible value at the earlier time; and either
 - (iii) for capital gains tax purposes the earlier time is not more than two years before the beginning of the year of assessment in which the claim is made; or
 - (iv) for corporation tax purposes the earlier time is on or after the first day of the earliest accounting period ending not more than two years before the time of the claim.
- (c) Section 93 of and Schedule 12 to the Finance Act 1994 (indexation losses and transitional relief) shall have effect in relation to an asset to which this section applies as if the sale and reacquisition occurred at the time of the claim and not at any earlier time.]

(3) For the purposes of [^{F25}this section], a building and any permanent or semi-permanent structure in the nature of a building may be regarded as an asset separate from the land on which it is situated, but [^{F26}where a building or structure is so regarded,] the person deemed to make the disposal of the building or structure shall be treated as if he had also sold, and immediately reacquired, the site of the building or structure (including in the site any land occupied for purposes ancillary to the use of the building or structure) for a consideration equal to its market value at that time.

[^{F27}(4) For the purposes of subsection (1C), a no gain/no loss disposal is one which, by virtue of any of the no gain/no loss provisions, neither a gain nor a loss accrues to the person making the disposal.]

Textual Amendments

- F21** Words in s. 24(1) substituted (with effect in accordance with reg. 3(2) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), [Sch. 2 para. 3](#) (with S.I. 2008/1579, reg. 4(1))

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- F22** S. 24(1A)-(1C) inserted (with effect in accordance with art. 4(6) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2009 \(S.I. 2009/730\)](#), arts. 1(1), **4(2)**
- F23** S. 24(2) substituted (with effect in accordance with Sch. 39 para. 4(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 39 para. 4(1)**
- F24** Words in s. 24(2) substituted (with effect in accordance with art. 4(6) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2009 \(S.I. 2009/730\)](#), arts. 1(1), **4(3)**
- F25** Words in s. 24(3) substituted (with effect in accordance with art. 4(6) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2009 \(S.I. 2009/730\)](#), arts. 1(1), **4(4)(a)**
- F26** Words in s. 24(3) substituted (with effect in accordance with art. 4(6) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2009 \(S.I. 2009/730\)](#), arts. 1(1), **4(4)(b)**
- F27** S. 24(4) inserted (with effect in accordance with art. 4(6) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2009 \(S.I. 2009/730\)](#), arts. 1(1), **4(5)**

Modifications etc. (not altering text)

- C24** S. 24 excluded by [Finance Act 1996 \(c. 8\)](#), Sch. 9 para. 12B(5) (as substituted (with effect in accordance with reg. 3(2) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 2 para. 8** (with S.I. 2008/1579, reg. 4(1)))
- C25** S. 24 excluded by [Finance Act 1996 \(c. 8\)](#), Sch. 9 para. 12D(5) (as inserted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 1 para. 16** (with S.I. 2008/1579, reg. 4(1)))
- C26** S. 24 excluded by [Finance Act 2002 \(c. 23\)](#), Sch. 26 para. 30D(5) (as inserted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 1 para. 19** (with S.I. 2008/1579, reg. 4(1)))
- C27** S. 24 excluded by [Finance Act 2002 \(c. 23\)](#), Sch. 26 para. 85(1D) (as inserted (with effect in accordance with reg. 3(1) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 1 para. 21(2)** (with S.I. 2008/1579, reg. 4(1)))
- C28** S. 24 excluded by [Finance Act 2002 \(c. 23\)](#), Sch. 26 para. 30B(5) (as substituted (with effect in accordance with reg. 3(2) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 2 para. 10** (with S.I. 2008/1579, reg. 4(1)))
- C29** S. 24 excluded by [Finance Act 2002 \(c. 23\)](#), Sch. 29 para. 85A(6) (as substituted (with effect in accordance with reg. 3(2) of the amending S.I.) by [The Corporation Tax \(Implementation of the Mergers Directive\) Regulations 2007 \(S.I. 2007/3186\)](#), reg. 1(2), **Sch. 2 para. 11** (with S.I. 2008/1579, reg. 4(1)))

25 Non-residents: deemed disposals. U.K.

- (1) Where an asset ceases by virtue of becoming situated outside the United Kingdom to be a chargeable asset in relation to a person, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when it became situated outside the United Kingdom, and
 - (b) immediately to have reacquired it, at its market value at that time.
- (2) Subsection (1) above does not apply—

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- (a) where the asset becomes situated outside the United Kingdom contemporaneously with the person there mentioned ceasing to carry on a trade in the United Kingdom through a branch or agency, or
- (b) where the asset is an exploration or exploitation asset.
- (3) Where an asset ceases to be a chargeable asset in relation to a person by virtue of his ceasing to carry on a trade in the United Kingdom through a branch or agency, he shall be deemed for all purposes of this Act—
- (a) to have disposed of the asset immediately before the time when he ceased to carry on the trade in the United Kingdom through a branch or agency, and
- (b) immediately to have reacquired it,
- at its market value at that time.
- [^{F28}(3A) Subsection (3) above shall not apply if—
- (a) the person ceasing to carry on the trade is a company, and
- (b) the trade is transferred to another company in circumstances in which section 139 or 171 applies in relation to the assets transferred.]
- ^{F29}(4)
- (5) Subsection (3) above does not apply to an asset which is a chargeable asset in relation to the person there mentioned at any time after he ceases to carry on the trade in the United Kingdom through a branch or agency and before the end of the chargeable period in which he does so.
- (6) In this section—
- “exploration or exploitation asset” means an asset used in connection with exploration or exploitation activities carried on in the United Kingdom or a designated area, and
- “designated area” and “exploration or exploitation activities” have the same meanings as in section 276.
- (7) For the purposes of this section an asset is at any time a chargeable asset in relation to a person if, were it to be disposed of at that time, any chargeable gains accruing to him on the disposal—
- (a) would be gains in respect of which he would be chargeable to capital gains tax under section 10(1), or
- (b) would form part of his chargeable profits for corporation tax purposes by virtue of section [^{F30}10B].
- (8) This section shall apply as if references to a trade included references to a profession or vocation.

Textual Amendments

- F28** S. 25(3A) inserted (with effect in accordance with Sch. 29 para. 6(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 6\(2\)](#) (with Sch. 29 para. 46(5))
- F29** S. 25(4) repealed (with effect in accordance with Sch. 29 para. 6(5), Sch. 40 Pt. 2(12) Note 3 of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 6\(3\)](#), [Sch. 40 Pt. II\(12\)](#) (with Sch. 29 para. 46(5))
- F30** Word in s. 25(7)(b) substituted (with effect in accordance with s. 155(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 27 para. 2\(3\)](#)

Status: Point in time view as at 16/11/2017.

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Modifications etc. (not altering text)

C30 S. 25(2)(3)(5) modified (with effect in accordance with s. 153(4) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 153\(2\)\(b\)](#)

[^{F31}25ZA Deemed disposal of UK residential property interest under section 25(3) U.K.]

- (1) This section applies if, ignoring subsections (3) and (4)—
 - (a) a gain or loss would accrue to a person on a disposal of a UK residential property interest deemed to have been made by virtue of section 25(3), and
 - (b) on the assumptions in subsection (2), that gain or loss would be an NRCGT gain chargeable to, or an NRCGT loss allowable for the purposes of, capital gains tax by virtue of section 14D (see section 57B and Schedule 4ZZB).
- (2) The assumptions are—
 - (a) the disposal is a non-resident CGT disposal, and
 - (b) if the person is a company, any claim which the company could make under section 14F is made.
- (3) No gain or loss accrues to the person on that disposal.
- (4) But, on a subsequent disposal of the whole or part of the interest in UK land which is the subject of the disposal mentioned in subsection (1)(a), the whole or a corresponding part of the gain or loss which would have accrued to the person were it not for subsection (3)—
 - (a) is deemed to accrue to the person (in addition to any gain or loss that actually accrues on that subsequent disposal), and
 - (b) (if that would not otherwise be the case) is to be treated as an NRCGT gain chargeable to, or an NRCGT loss allowable for the purposes of, capital gains tax by virtue of section 14D accruing on a non-resident CGT disposal.
- (5) A person may make an election for subsections (3) and (4) not to apply in relation to the disposal mentioned in subsection (1)(a).
- (6) If the person is a company, such an election must be made within 2 years after the day on which the company ceases to carry on a trade in the United Kingdom through a branch or agency.
- (7) In this section, “interest in UK land” has the meaning given by paragraph 2 of Schedule B1.]

Textual Amendments

F31 S. 25ZA inserted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 7 para. 13](#)

[^{F32}25A Long funding leases of plant or machinery: deemed disposals U.K.]

- (1) This section applies where plant or machinery is used for the purpose of leasing under a long funding lease.
- (2) The lessor shall be deemed for all purposes of this Act—

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- (a) to have disposed of the plant or machinery at the commencement of the term of the lease at [^{F33}the relevant disposal value], and
 - (b) to have immediately reacquired it at the same value.
- (3) The lessor shall also be deemed for all purposes of this Act—
- (a) to have disposed of the plant or machinery on the termination of the lease for a consideration equal to the termination amount, and
 - (b) to have immediately reacquired it for the same consideration.
- [^{F34}(4) “Relevant disposal value” means—
- (a) in relation to a long funding finance lease, the disposal value described in item 5A of the table in section 61(2) of the Capital Allowances Act (disposal values), and
 - (b) in relation to a long funding operating lease, the disposal value described in item 5B of that table.]
- (5) For the purposes of this section, the following expressions have the meaning given in Chapter 6A of Part 2 of the Capital Allowances Act (interpretation of provisions about long funding leases)—
- “commencement”, in relation to the term of a lease,
 - “lessor”,
 - “long funding lease”,
 - “long funding finance lease”,
 - “long funding operating lease”,
 - ^{F35}
 - “the term”, in relation to a lease,
 - “termination”,
 - “termination amount”.]

Textual Amendments

- F32** S. 25A inserted (with effect in accordance with Sch. 9 para. 4(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 4\(1\)](#)
- F33** Words in s. 25A(2)(a) substituted (with effect in accordance with Sch. 32 para. 5(2) of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 3\(2\)](#)
- F34** S. 25A(4) substituted for s. 25A(4)-(4D) (with effect in accordance with Sch. 32 para. 5(2) of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 3\(3\)](#)
- F35** Words in s. 25A(5) omitted (with effect in accordance with Sch. 32 para. 5(2) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 32 para. 3\(4\)](#)

26 Mortgages and charges not to be treated as disposals. **U.K.**

- (1) The conveyance or transfer by way of security of an asset or of an interest or right in or over it, or transfer of a subsisting interest or right by way of security in or over an asset (including a retransfer on redemption of the security), shall not be treated for the purposes of this Act as involving any acquisition or disposal of the asset.
- (2) Where a person entitled to an asset by way of security or to the benefit of a charge or incumbrance on an asset deals with the asset for the purpose of enforcing or giving effect to the security, charge or incumbrance, his dealings with it shall be treated for the purposes of this Act as if they were done through him as nominee by the person

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entitled to it subject to the security, charge or incumbrance; and this subsection shall apply to the dealings of any person appointed to enforce or give effect to the security, charge or incumbrance as receiver and manager or judicial factor as it applies to the dealings of the person entitled as aforesaid.

- (3) An asset shall be treated as having been acquired free of any interest or right by way of security subsisting at the time of any acquisition of it, and as being disposed of free of any such interest or right subsisting at the time of the disposal; and where an asset is acquired subject to any such interest or right the full amount of the liability thereby assumed by the person acquiring the asset shall form part of the consideration for the acquisition and disposal in addition to any other consideration.

[^{F36} **26A Transfer of dormant bank or building society account** **U.K.**]

- (1) This section applies where the balance of a dormant account held by a person with a bank or building society is transferred—
- (a) to an authorised reclaim fund, with the result that section 1 of the Dormant Bank and Building Society Accounts Act 2008 applies in relation to the account, or
 - (b) to an authorised reclaim fund and one or more charities, with the result that section 2 of that Act applies in relation to the account.
- (2) For the purposes of this Act—
- (a) the transfer is not to be treated as involving any acquisition or disposal of an asset, and
 - (b) the person's rights under Part 1 of that Act are to be treated as the same asset as the original rights, acquired as the original rights were acquired and having the same characteristics as those rights.
- (3) “The original rights” are the person's rights against the bank or building society immediately before the transfer.
- (4) Terms used in this section and in the Dormant Bank and Building Society Accounts Act 2008 have the same meaning in this section as in that Act.]

Textual Amendments

F36 S. 26A inserted (1.2.2011) by [Finance Act 2008 \(c. 9\), s. 39\(7\)\(8\)](#); [S.I. 2011/23, art. 2](#)

27 Disposals in cases of hire-purchase and similar transactions. **U.K.**

A hire-purchase or other transaction under which the use and enjoyment of an asset is obtained by a person for a period at the end of which the property in the asset will or may pass to that person shall be treated for the purposes of this Act, both in relation to that person and in relation to the person from whom he obtains the use and enjoyment of the asset, as if it amounted to an entire disposal of the asset to that person at the beginning of the period for which he obtains the use and enjoyment of the asset, but subject to such adjustments of tax, whether by way of repayment or discharge of tax or otherwise, as may be required where the period for which that person has the use and enjoyment of the asset terminates without the property in the asset passing to him.

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28 Time of disposal and acquisition where asset disposed of under contract. **U.K.**

- (1) Subject to section 22(2), and subsection (2) below, where an asset is disposed of and acquired under a contract the time at which the disposal and acquisition is made is the time the contract is made (and not, if different, the time at which the asset is conveyed or transferred).
- (2) If the contract is conditional (and in particular if it is conditional on the exercise of an option) the time at which the disposal and acquisition is made is the time when the condition is satisfied.

Modifications etc. (not altering text)

- C31** S. 28 extended (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 2\(2\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.
- C32** S. 28 applied (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 24\(9\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), art. 2, Sch.

Value shifting

29 General provisions. **U.K.**

- (1) Without prejudice to the generality of the provisions of this Act as to the transactions which are disposals of assets, any transaction which under the following subsections is to be treated as a disposal of an asset—
 - (a) shall be so treated (with a corresponding acquisition of an interest in the asset) notwithstanding that there is no consideration, and
 - (b) so far as, on the assumption that the parties to the transaction were at arm's length, the party making the disposal could have obtained consideration, or additional consideration, for the disposal, shall be treated as not being at arm's length and the consideration so obtainable, or the additional consideration so obtainable added to the consideration actually passing, shall be treated as the market value of what is acquired.
- (2) If a person having control of a company exercises his control so that value passes out of shares in the company owned by him or a person with whom he is connected, or out of rights over the company exercisable by him or by a person with whom he is connected, and passes into other shares in or rights over the company, that shall be a disposal of the shares or rights out of which the value passes by the person by whom they were owned or exercisable.
- (3) A loss on the disposal of an asset shall not be an allowable loss to the extent to which it is attributable to value having passed out of other assets, being shares in or rights over a company which by virtue of the passing of value are treated as disposed of under subsection (2) above.
- (4) If, after a transaction which results in the owner of land or of any other description of property becoming the lessee of the property there is any adjustment of the rights and liabilities under the lease, whether or not involving the grant of a new lease, which is as a whole favourable to the lessor, that shall be a disposal by the lessee of an interest in the property.

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- (5) If an asset is subject to any description of right or restriction the extinction or abrogation, in whole or in part, of the right or restriction by the person entitled to enforce it shall be a disposal by him of the right or restriction.

30 Tax-free benefits. **U.K.**

- (1) This section has effect as respects the disposal of an asset if a scheme has been effected or arrangements have been made (whether before or after the disposal) whereby—
- (a) the value of the asset ^{F37}... has been materially reduced, and
 - (b) a tax-free benefit has been or will be conferred—
 - (i) on the person making the disposal or a person with whom he is connected, or
 - (ii) subject to subsection (4) below, on any other person.
- ^{F38}(2) But, for the purposes of corporation tax, this section does not have effect if the disposal of the asset is a disposal by a company of shares in, or securities of, another company (as to which see section 31).]
- (3) For the purposes of subsection (1)(b) above a benefit is conferred on a person if he becomes entitled to any money or money's worth or the value of any asset in which he has an interest is increased or he is wholly or partly relieved from any liability to which he is subject; and a benefit is tax-free unless it is required, on the occasion on which it is conferred on the person in question, to be brought into account in computing his income, profits or gains for the purposes of income tax, capital gains tax or corporation tax.
- (4) This section shall not apply by virtue of subsection (1)(b)(ii) above ^{F39}in a case where] avoidance of tax was not the main purpose or one of the main purposes of the scheme or arrangements in question.
- (5) Where this section has effect in relation to any disposal, any allowable loss or chargeable gain accruing on the disposal shall be calculated as if the consideration for the disposal were increased by such amount as ^{F40}is] just and reasonable having regard to the scheme or arrangements and the tax-free benefit in question.
- (6) Where—
- (a) by virtue of subsection (5) above the consideration for the disposal of an asset has been treated as increased, and
 - (b) the benefit taken into account under subsection (1)(b) above was an increase in the value of another asset,
- any allowable loss or chargeable gain accruing on the first disposal of the other asset after the increase in its value shall be calculated as if the consideration for that disposal were reduced by such amount as ^{F41}is] just and reasonable having regard to the scheme or arrangements in question and the increase made in relation to the disposal mentioned in paragraph (a) above.
- (7) References in this section to a disposal do not include references to any disposal falling within section 58(1), 62(4) or 171(1).
- ^{F42}(8)

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- (9) In relation to a case in which the disposal of an asset precedes its acquisition the references in subsections (1)(a) and (2) above to a reduction shall be read as including a reference to an increase.

Textual Amendments

- F37** Words in s. 30(1)(a) omitted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(a\)](#)
- F38** S. 30(2) substituted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(b\)](#)
- F39** Words in s. 30(4) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 46](#)
- F40** Word in s. 30(5) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)
- F41** Word in s. 30(6) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 47\(a\)](#)
- F42** S. 30(8) omitted (with effect in accordance with Sch. 9 para. 6 of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 1\(c\)](#)

Modifications etc. (not altering text)

- C33** S. 30 excluded (retrospective to 5.11.2993) by [Finance Act 1994 \(c. 9\)](#), s. 252(2), [Sch. 24 para. 4\(1\)](#)
- C34** S. 30 excluded (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), s. 68(4), [Sch. 4 para. 4](#) (with [Sch. 4 para. 14](#)); S.I. 1994/2189, art. 2, Sch.
- C35** S. 30 modified (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(1\)](#)
- C36** S. 30 applied (with modifications) (with effect in accordance with s. 63(4) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 15 para. 71\(3\)](#)
- C37** S. 30 excluded (6.11.2000) by [Postal Services Act 2000 \(c. 26\)](#), s. 130(1), [Sch. 4 para. 6](#); S.I. 2000/2957, art. 2(1), Sch. 1
- C38** S. 30 excluded (1.2.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 7 para. 5](#); S.I. 2001/57, art. 3(1)
- C39** S. 30 excluded (15.1.2001) by [Transport Act 2000 \(c. 38\)](#), s. 275(1), [Sch. 26 para. 36](#); S.I. 2000/3376, art. 2
- C40** S. 30 modified (E.W.S.) (8.6.2005 for specified purposes, 24.7.2005 in so far as not already in force) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 31](#); S.I. 2005/1444, art. 2(1), Sch. 1; S.I. 2005/1909, art. 2, Sch.
- C41** S. 30(5) excluded (retrospective to 11.1.1994) by [Finance Act 1994 \(c. 9\)](#), s. 252(3), [Sch. 24 para. 4\(2\)\(3\)](#)
- C42** S. 30(5) excluded (24.7.1996) by [Broadcasting Act 1996 \(c. 55\)](#), s. 149(1), [Sch. 7 para. 9\(3\)](#)

[^{F43}31 Disposal of shares or securities by a company **U.K.**

- (1) For the purposes of corporation tax, subsection (2) has effect as respects the disposal by a company (“the disposing company”) of shares in, or securities of, another company if—
- (a) arrangements have been made whereby the value of those shares or securities, or any relevant asset, is materially reduced,
 - (b) the main purpose, or one of the main purposes, of the arrangements is to obtain a tax advantage, and
 - (c) the arrangements do not consist solely of the making of an exempt distribution.

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- (2) Any allowable loss or chargeable gain accruing on the disposal is to be calculated as if the consideration for the disposal were increased by such amount as is just and reasonable having regard to—
- (a) the arrangements, and
 - (b) any charge to, or relief from, corporation tax that, in the absence of this section, would arise in consequence of the disposal or the arrangements.
- (3) For the purposes of subsection (1)—
- (a) an asset is a relevant asset if, at the time of the disposal, it is owned by a company which is a member of the same group as the disposing company, and
 - (b) it does not matter whether the tax advantage is obtained for the disposing company or any other person.
- (4) In relation to a case in which the disposal of the shares or securities precedes their acquisition, the reference in subsection (1)(a) to a reduction is to be read as including a reference to an increase.
- (5) Where, but for arrangements to which subsection (6) applies, a transaction would, by virtue of section 29(2), be treated as a disposal of shares by a company, that transaction is to be treated as if it were, by virtue of section 29(2), a disposal of those shares.
- (6) The arrangements to which this subsection applies are arrangements—
- (a) whereby the value of the shares or securities is materially reduced, and
 - (b) the main purpose, or one of the main purposes, of which is to obtain a tax advantage (whether for the company or any other person).
- (7) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
- “exempt distribution” means a distribution which—
- (a) for the purposes of section 931D of CTA 2009 (exemption from charge to tax: distributions received by companies that are not small), falls within an exempt class by virtue of section 931H of that Act (dividends derived from transactions not designed to reduce tax), or
 - (b) would be within paragraph (a) but for the recipient being a small company (within the meaning of section 931S of that Act) in the accounting period of the recipient in which the distribution was received;
- “group” is to be construed in accordance with section 170;
- “securities” has the same meaning as in section 132;
- “tax advantage” means the avoidance of a liability to corporation tax in respect of chargeable gains.]

Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\), Sch. 9 para. 2](#)

^{F43} **31A Asset-holding company leaving the group.** **U.K.**

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Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

^{F43}32 Disposals within a group followed by a disposal of shares. U.K.

.....

Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

^{F43}33 Provisions supplementary to sections 30 to 32. U.K.

.....

Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

^{F43}33A Modification of sections 30 to 33 in relation to chargeable intangible asset U.K.

.....

Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

^{F43}34 Transactions treated as a reorganisation of share capital. U.K.

.....

Textual Amendments

F43 S. 31 substituted for ss. 31-34 (with effect in accordance with Sch. 9 para. 6 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 9 para. 2](#)

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CHAPTER III U.K.

COMPUTATION OF GAINS: GENERAL PROVISIONS

Re-basing to 1982, and assets held on 6th April 1965

35 Assets held on 31st March 1982 (including assets held on 6th April 1965). U.K.

- (1) This section applies to a disposal of an asset which was held on 31st March 1982 by the person making the disposal.
 - (2) [^{F44}In] computing for the purpose of this Act the gain or loss accruing on the disposal it shall be assumed that the asset was on 31st March 1982 sold by the person making the disposal, and immediately reacquired by [^{F45}that person], at its market value on that date.
- [^{F46}(2A) For the purposes of corporation tax, subsection (2) above has effect subject to subsections (3) to (8) below (and see also subsections (9) and (10)).]
- (3) Subject to subsection (5) below, subsection (2) above shall not apply to a disposal—
 - (a) where a gain would accrue on the disposal to the person making the disposal if that subsection did apply, and either a smaller gain or a loss would so accrue if it did not,
 - (b) where a loss would so accrue if that subsection did apply, and either a smaller loss or a gain would accrue if it did not,
 - (c) where, either on the facts of the case or by virtue of Schedule 2, neither a gain nor a loss would accrue if that subsection did not apply, ^{F47}...
 - [^{F48}(ca) where, by virtue of section 195B, 195C or 195E, neither a gain nor a loss accrues to the person making the disposal, or]
 - (d) where neither a gain nor a loss would accrue by virtue of any of [^{F49}the no gain/no loss provisions.]
- [^{F50}(4) Where in the case of a disposal of an asset—
- (a) the effect of subsection (2) above would be to substitute a loss for a gain or a gain for a loss, but
 - (b) the application of subsection (2) is excluded by subsection (3),
- it shall be assumed in relation to the disposal that the asset was acquired by the person making the disposal for a consideration such that, on the disposal, neither a gain nor a loss accrues to [^{F51}that person].
- (5) If a person so elects, disposals made by [^{F52}that person] (including any made by [^{F52}that person] before the election) shall fall outside subsection (3) above (so that subsection (2) above is not excluded by that subsection).
 - (6) An election by a person under subsection (5) above shall be irrevocable and shall be made by notice to [^{F53}an officer of the Board] at any time before 6th April 1990 or at any time during the period beginning with the day of the first relevant disposal and ending—
 - [^{F54}(a) ^{F55}.....
 - (aa) ^{F56}... 2 years after the end of the accounting period in which the disposal is made; or
 - (b) ^{F57}... at such later time as the Board may allow;]

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and “the first relevant disposal” means the first disposal to which this section applies which is made by the person making the election.

- (7) An election made by a person under subsection (5) above in one capacity does not cover disposals made by [^{F58}that person] in another capacity.
- (8) All such adjustments shall be made, whether by way of discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to an election under subsection (5) above.
- (9) Schedule 2 shall have effect [^{F59}for the purposes of corporation tax] in relation to disposals of assets owned on 6th April 1965 in cases where neither subsection (2) nor subsection (4) above applies.
- (10) Schedule 3, which contains provisions supplementary to subsections (1) to (8) above, shall have effect [^{F60}for the purposes of capital gains tax and corporation tax].]

Textual Amendments

- F44** Word in s. 35(2) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(2\)\(a\)](#)
- F45** Words in s. 35(2) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(2\)\(b\)](#)
- F46** S. 35(2A) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(3\)](#)
- F47** Word in s. 35(3)(c) omitted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 2\(a\)](#)
- F48** S. 35(3)(ca) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 2\(b\)](#)
- F49** Words in s. 35(3)(d) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(4\)](#)
- F50** S. 35(3)(d)(xvi) inserted (E.W.S.) (8.6.2005 for specified purposes, 24.7.2005 in so far as not already in force) by [Railways Act 2005 \(c. 14\)](#), s. 60(2), [Sch. 10 para. 33](#); [S.I. 2005/1444](#), art. 2(1), [Sch. 1](#); [S.I. 2005/1909](#), art. 2, Sch.
- F51** Words in s. 35(4) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(5\)](#)
- F52** Words in s. 35(5) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(6\)](#)
- F53** Words in s. 35(6) substituted (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 21 para. 35\(a\)](#)
- F54** S. 35(6)(a)(aa)(b) substituted for s. 35(6)(a)(b) (with effect in accordance with s. 135(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 21 para. 35\(b\)](#)
- F55** S. 35(6)(a) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(a\)](#)
- F56** Words in s. 35(6)(aa) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(b\)](#)
- F57** Words in s. 35(6)(b) omitted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(7\)\(c\)](#)
- F58** Words in s. 35(7) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(8\)](#)
- F59** Words in s. 35(9) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(9\)](#)

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F60 Words in s. 35(10) inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 58\(10\)](#)

[^{F61}35A Disposal of asset acquired on no gain/no loss disposal U.K.]

- (1) This section applies for the purposes of capital gains tax in relation to a disposal of an asset if—
- (a) the person making the disposal acquired the asset after 31 March 1982 and before 6 April 2008,
 - (b) the disposal by which the person acquired the asset (“the relevant disposal”), and any previous disposal of the asset after 31 March 1982, was a disposal on which, by virtue of any enactment, neither a gain nor a loss accrued to the person making the disposal, and
 - (c) section 35(2) did not apply to the relevant disposal.
- (2) It is to be assumed that section 35(2) did apply to the relevant disposal (and that section 56(2) applied to the relevant disposal accordingly).]

Textual Amendments

F61 S. 35A inserted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 59](#)

36 Deferred charges on gains before 31st March 1982. U.K.

Schedule 4, which provides for the reduction of a deferred charge to [^{F62}corporation tax in respect of chargeable gains] where the charge is wholly or partly attributable to an increase in the value of an asset before 31st March 1982, shall have effect.

Textual Amendments

F62 Words in s. 36 substituted (with effect in accordance with Sch. 2 para. 76 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 73](#)

Allowable deductions

37 Consideration chargeable to tax on income. U.K.

- (1) There shall be excluded from the consideration for a disposal of assets taken into account in the computation of the gain any money or money’s worth charged to income tax as income of, or taken into account as a receipt in computing income or profits or gains or losses of, the person making the disposal for the purposes of the Income Tax Acts.
- [^{F63}(1A) There is to be excluded from the consideration for a disposal of an asset taken into account in the computation of the gain a sum equal to any amount that is taken into account by the person making the disposal as a receipt under section 96A or 307E of ITTOIA 2005 (capital receipts under, or after leaving, cash basis) as a result of the operation of any deemed disposal provision in relation to the asset.

Status: Point in time view as at 16/11/2017.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Part II is up to date with all changes known to be in force on or before 29 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

(1B) But subsection (1A) applies only to the extent that the sum has not been excluded from the consideration for an earlier disposal of the asset.

(1C) The following are “deemed disposal provisions”—

- (a) in relation to trades, professions and vocations, subsections (4) and (5) of section 96A of ITTOIA 2005 (which provide for circumstances in which a person is to be regarded as disposing of an asset for the purposes of that section), and
- (b) in relation to property businesses, section 307F of ITTOIA 2005 (which provides for circumstances in which a person is to be regarded as disposing of an asset for the purposes of section 307E of that Act).]

(2) Subsection (1) above shall not be taken as excluding from the consideration so taken into account any money or money’s worth which is—

- [^{F64}(a) taken into account in the making of a balancing charge under the Capital Allowances Act but excluding Part 10 of that Act,
- (b) brought into account as the disposal value of plant or machinery under Part 2 of that Act, or
- (c) brought into account as the disposal value of an asset representing qualifying expenditure under Part 6 of that Act.]

[^{F65}See also section 37A(4) and (5) (consideration on disposal of certain leases).]

[^{F66}(2A) Subsection (1) is not to be taken as excluding from the consideration so taken into account any money or money’s worth which is, or is taken into account in computing, a return on which income tax is charged under Chapter 2A of Part 4 of ITTOIA 2005 (disguised interest) (but see section 381D of that Act).]

(3) This section shall not preclude the taking into account in a computation of the gain, as consideration for the disposal of an asset, of the capitalised value of a rentcharge (as in a case where a rentcharge is exchanged for some other asset) or of the capitalised value of a ground annual or feu duty, or of a right of any other description to income or to payments in the nature of income over a period, or to a series of payments in the nature of income.

^{F67}(4)

[^{F68}(5) If—

- (a) because section [^{F69}517G(4) or (6) of ITA 2007 (transactions in land: the chargeable person) applies, an amount is charged to income tax as income of] a person other than the person (“A”) by whom the gain was realised, and
- (b) the income tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.

[If—

- ^{F70}(5A) (a) because section [^{F71}356OG(4) or (6) of CTA 2010 (transactions in land: the chargeable company) applies, an amount is charged to corporation tax as profits of a person other than] the person (“C”) by whom the gain was realised, and
- (b) the corporation tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of C.]

Status: Point in time view as at 16/11/2017.

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(6) If—

(a) because section 777(5) of that Act applies, the person charged to tax under Chapter 4 of Part 13 of that Act (sales of occupation income) is a person other than the person (“B”)—

(i) for whom the capital amount was obtained, or

(ii) in the case of income treated as arising under section 779 of that Act, by whom the property or right was sold or realised, and

(b) the income tax has been paid,

for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of B.

(7) In subsection (6) “capital amount” has the same meaning as in Chapter 4 of Part 13 of that Act (sales of occupation income) (see section 777(7) of that Act).]

Textual Amendments

- F63** S. 37(1A)-(1C) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 44](#)
- F64** S. 37(2)(a)-(c) substituted for s. 37(2)(a)(b) (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 77](#)
- F65** Words in s. 37(2) added (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\)](#), s. 381(1), [Sch. 8 para. 231](#) (with Sch. 9 paras. 1-9, 22)
- F66** S. 37(2A) inserted (with effect in accordance with Sch. 12 para. 18(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 12 para. 6](#)
- F67** S. 37(4) repealed (with effect in accordance with art. 1(2) of the amending S.I.) by [The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 \(Consequential Amendment of Enactments\) Order 2004 \(S.I. 2004/2310\)](#), art. 1(2), [Sch. para. 48\(2\)](#)
- F68** S. 37(5)-(7) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 299](#) (with Sch. 2)
- F69** Words in s. 37(5)(a) substituted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 79\(8\)](#) (with savings in 2017 c. 32, s. 39(1)(2))
- F70** S. 37(5A) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 228](#) (with Sch. 2)
- F71** Words in s. 37(5A)(a) substituted (with effect in accordance with s. 81 of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 77\(7\)](#) (with savings in 2017 c. 32, s. 39(1)(2))

Modifications etc. (not altering text)

- C43** S. 37 extended (27.7.1993 with effect for the year 1992-93 and subsequent years of assessment as mentioned in s. 184(3)) by [1993 c. 34](#), [ss. 176\(2\)\(b\)](#), [184\(3\)](#)
- C44** S. 37 excluded (19.3.1997) by [Finance Act 1997 \(c. 16\)](#), [Sch. 12 para. 12\(1\)\(2\)\(3\)\(4\)](#), [13](#), [14](#) (with Sch. 12 para. 17)
- C45** S. 37 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 670\(7\)](#), [1329\(1\)](#) (with Sch. 2 Pts. 1, 2)
- C46** S. 37 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 672\(4\)](#), [1329\(1\)](#) (with Sch. 2 Pts. 1, 2)
- C47** S. 37(1) restricted (16.7.1992, with effect as mentioned in s. 65(6) of the amending Act) by [1992 c. 48](#), [s. 65\(2\)\(e\)\(5\)](#)
- C48** S. 37(1) modified (22.7.2004) by [Finance Act 2004 \(c. 12\)](#), [s. 133\(5\)\(a\)](#)
- C49** S. 37(1) modified (with effect in accordance with art. 1(2)(3), Sch. 1 of the amending S.I.) by [The Offshore Funds \(Tax\) Regulations 2009 \(S.I. 2009/3001\)](#), [regs. 1\(1\)](#), [45\(2\)](#)

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[^{F72}37A Consideration on disposal of certain leases U.K.]

- (1) This section applies if—
 - (a) a disposal occurs that is within section 614BP of ITA 2007 (including that section as it has effect as a result of section 614CD of that Act), and
 - (b) for the purposes of Chapter 2 or 3 of Part 11A of that Act there is any cumulative accountancy rental excess in relation to the lease for the period of account of the current lessor in which the disposal takes place.
- (2) This section also applies if—
 - (a) a disposal occurs that is within section 915 of CTA 2010 (including that section as it has effect as a result of section 929 of that Act), and
 - (b) for the purposes of Chapter 2 or 3 of Part 21 of that Act there is any cumulative accountancy rental excess in relation to the lease for the period of account of the current lessor in which the disposal takes place.
- (3) In determining for the purposes of this Act the amount of any gain accruing to the person making the disposal, the consideration for the disposal is treated as reduced by setting against it that excess (but not so as to reduce the amount of that consideration below nil).
- (4) Subsection (3) only affects section 37 so far as subsection (5) provides.
- (5) Section 37 does not exclude any money or money's worth from the consideration for a disposal so far as it is represented by any such cumulative accountancy rental excess that, in accordance with subsection (3)—
 - (a) falls to be set against the consideration for the disposal, or
 - (b) has fallen to be set against the consideration for a previous disposal made by the person making the disposal in question or a person connected with that person.
- (6) Subsections (7) to (9) apply if the disposal mentioned in subsection (1) or (2) is a part disposal of the asset in question.
- (7) The cumulative accountancy rental excess mentioned in subsection (3) must be apportioned between—
 - (a) the property disposed of, and
 - (b) the property that remains undisposed of.
- (8) That apportionment must be made in the same proportions as those in which the sums that under section 38(1)(a) or (b) are attributable to the asset fall to be apportioned under section 42.
- (9) Only so much of the cumulative accountancy rental excess as is so apportioned to the property disposed of is set against the consideration for the part disposal in accordance with subsection (3).
- (10) If subsection (3) applies in a case where two or more disposals within subsection (1) or (2) are made at the same time, the cumulative accountancy rental excess mentioned in subsection (3) must be apportioned, subject to subsections (7) to (9), between the disposals in such proportions as are just and reasonable.
- (11) Section 614DC of ITA 2007 (connected persons) applies for the purposes of this section in its application as a result of any leasing arrangements (within the meaning of that section) as it applies for the purposes mentioned in that section.]

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Textual Amendments

- F72** S. 37A inserted (with effect in accordance with s. 381(1) of the amending Act) by [Taxation \(International and Other Provisions\) Act 2010 \(c. 8\), s. 381\(1\), Sch. 3 para. 7](#) (with [Sch. 9 paras. 1-9, 22](#))

38 Acquisition and disposal costs etc. **U.K.**

- (1) Except as otherwise expressly provided, the sums allowable as a deduction from the consideration in the computation of the gain accruing to a person on the disposal of an asset shall be restricted to—
- (a) the amount or value of the consideration, in money or money's worth, given by him or on his behalf wholly and exclusively for the acquisition of the asset, together with the incidental costs to him of the acquisition or, if the asset was not acquired by him, any expenditure wholly and exclusively incurred by him in providing the asset,
 - (b) the amount of any expenditure wholly and exclusively incurred on the asset by him or on his behalf for the purpose of enhancing the value of the asset, being expenditure reflected in the state or nature of the asset at the time of the disposal, and any expenditure wholly and exclusively incurred by him in establishing, preserving or defending his title to, or to a right over, the asset,
 - (c) the incidental costs to him of making the disposal.
- (2) For the purposes of this section and for the purposes of all other provisions of this Act, the incidental costs to the person making the disposal of the acquisition of the asset or of its disposal shall consist of expenditure wholly and exclusively incurred by him for the purposes of the acquisition or, as the case may be, the disposal, being fees, commission or remuneration paid for the professional services of any surveyor or valuer, or auctioneer, or accountant, or agent or legal adviser and costs of transfer or conveyance (including stamp duty [^{F73} or stamp duty land tax]) together—
- (a) in the case of the acquisition of an asset, with costs of advertising to find a seller, and
 - (b) in the case of a disposal, with costs of advertising to find a buyer and costs reasonably incurred in making any valuation or apportionment required for the purposes of the computation of the gain, including in particular expenses reasonably incurred in ascertaining market value where required by this Act.
- (3) Except as provided by section 40, no payment of interest shall be allowable under this section.
- (4) Any provision in this Act introducing the assumption that assets are sold and immediately reacquired shall not imply that any expenditure is incurred as incidental to the sale or reacquisition.

Textual Amendments

- F73** Words in s. 38(2) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 18 para. 5](#)

Modifications etc. (not altering text)

- C50** S. 38 restricted (3.5.1994) by [Finance Act 1994 \(c. 9\), s. 173\(4\)\(d\)](#) (with s. 173(1))

Status: Point in time view as at 16/11/2017.

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- C51** S. 38(1)(a)(b) restricted (5.10.2004) by Energy Act 2004 (c. 20), s. 198(2), **Sch. 9 para. 4(2)** (with s. 38(2)); S.I. 2004/2575, art. 2(1), Sch. 1
- C52** S. 38(1)(c) applied by Finance Act 1996 (c. 8), **s. 92(5D)** (as inserted (with effect in accordance with s. 79(3) of the amending Act) by Finance Act 2002 (c. 23), **Sch. 23 para. 5(3)**)

39 Exclusion of expenditure by reference to tax on income. **U.K.**

- (1) There shall be excluded from the sums allowable under section 38 as a deduction in the computation of the gain any expenditure allowable as a deduction in computing the [^{F74}profits] or losses of a trade, profession or vocation for the purposes of income tax or allowable as a deduction in computing any other income or profits or gains or losses for the purposes of the Income Tax Acts and any expenditure which, although not so allowable as a deduction in computing any losses, would be so allowable but for an insufficiency of income or profits or gains; and this subsection applies irrespective of whether effect is or would be given to the deduction in computing the amount of tax chargeable or by discharge or repayment of tax or in any other way.
- (2) Without prejudice to the provisions of subsection (1) above, there shall be excluded from the sums allowable under section 38 as a deduction in the computation of the gain any expenditure which, if the assets, or all the assets to which the computation relates, were, and had at all times been, held or used as part of the fixed capital of a trade the [^{F74}profits] of which were (irrespective of whether the person making the disposal is a company or not) chargeable to income tax would be allowable as a deduction in computing the [^{F74}profits] or losses of the trade for the purposes of income tax.
- (3) No account shall be taken of any relief under Chapter II of Part IV of the ^{M1}Finance Act 1981 or under Schedule 5 to the ^{M2}Finance Act 1983, in so far as it is not withdrawn and relates to shares issued before 19th March 1986, in determining whether any sums are excluded by virtue of subsection (1) or (2) above from the sums allowable as a deduction in the computation of gains or losses for the purposes of this Act.
- [^{F75}(3A) This section is not to be taken as excluding, from the sums allowable under section 38 as a deduction in the computation of the gain, expenditure allowable as a deduction in computing a return on which income tax is charged under Chapter 2A of Part 4 of ITTOIA 2005 (disguised interest) (but see section 381D of that Act).]
- [^{F76}(4) If—
- (a) because section [^{F77}517G(4) or (6) of ITA 2007 (transactions in land: the chargeable person) applies, an amount is charged to income tax as income of] a person other than the person (“A”) by whom the gain was realised, and
 - (b) the income tax has been paid,
- for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of A.]
- [^{F78}(5) If—
- (a) because section [^{F79}356OG(4) or (6) of CTA 2010 (transactions in land: the chargeable company) applies, an amount is charged to corporation tax as profits of a person other than] the person (“B”) by whom the gain was realised, and
 - (b) the corporation tax has been paid,
- for the purposes of this section the amount charged to that tax is regarded as having been charged as the income of B.]

Status: Point in time view as at 16/11/2017.

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Textual Amendments

- F74** Word in s. 39(1)(2) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\), s. 46\(3\)\(a\)](#), [Sch. 7 para. 7](#)
- F75** S. 39(3A) inserted (with effect in accordance with Sch. 12 para. 18(1) of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 12 para. 7](#)
- F76** S. 39(4) inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\), s. 1034\(1\)](#), [Sch. 1 para. 300](#) (with [Sch. 2](#))
- F77** Words in s. 39(4)(a) substituted (with effect in accordance with s. 82 of the amending Act) by [Finance Act 2016 \(c. 24\), s. 79\(9\)](#) (with savings in 2017 c. 32, s. 39(1)(2))
- F78** S. 39(5) inserted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\), s. 1184\(1\)](#), [Sch. 1 para. 229](#) (with [Sch. 2](#))
- F79** Words in s. 39(5)(a) substituted (with effect in accordance with s. 81 of the amending Act) by [Finance Act 2016 \(c. 24\), s. 77\(8\)](#) (with savings in 2017 c. 32, s. 39(1)(2))

Modifications etc. (not altering text)

- C53** S. 39 extended (27.7.1993 with effect for the years 1992-93 and subsequent years of assessment as mentioned in s. 184(3)) by [1993 c. 34, s. 176\(2\)\(b\)](#), [184\(3\)](#)
- C54** S. 39 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 670\(7\), 1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))
- C55** S. 39 excluded (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 672\(4\), 1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))
- C56** S. 39 extended (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\), ss. 1157\(2\), 1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))
- C57** S. 39(1) modified (22.7.2004) by [Finance Act 2004 \(c. 12\), s. 133\(5\)\(b\)](#)

Marginal Citations

- M1** [1981 c. 35.](#)
- M2** [1983 c. 28.](#)

40 Interest charged to capital. **U.K.**

(1) Where—

- (a) a company incurs expenditure on the construction of any building, structure or works, being expenditure allowable as a deduction under section 38 in computing a gain accruing to the company on the disposal of the building, structure or work, or of any asset comprising it, and
- (b) that expenditure was defrayed out of borrowed money,

the sums so allowable under section 38 shall, subject to subsection (2) below, include the amount of any interest on that borrowed money which is referable to a period or part of a period ending on or before the disposal.

(2) Subsection (1) above has effect subject to section 39 and does not apply to interest which is a charge on income.

(3) In relation to interest paid in any accounting period ending before 1st April 1981 subsection (1) above shall have effect with the substitution for all following paragraph (b) of—

“and

- (c) the company charged to capital all or any of the interest on that borrowed money referable to a period or part of a period ending on or before the disposal,

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and the sums so allowable under section 38 shall include the amount of that interest charged to capital.”;

and subsection (2) above shall not apply.

[^{F80}(4) In consequence of Chapter 2 of Part 4 of the Finance Act 1996 (c. 8) (loan relationships) [^{F81}and CTA 2009 (Part 5 of which re-enacts that Chapter)] this section does not have effect in relation to interest referable to an accounting period ending on or after 1st April 1996.]

Textual Amendments

F80 S. 40(4) added (24.7.2002) by [Finance Act 2002 \(c. 23\)](#), [Sch. 25 para. 60\(2\)](#)

F81 Words in s. 40(4) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 362](#) (with [Sch. 2 Pts. 1, 2](#))

41 Restriction of losses by reference to capital allowances and renewals allowances. **U.K.**

- (1) Section 39 shall not require the exclusion from the sums allowable as a deduction in the computation of the gain of any expenditure as being expenditure in respect of which a capital allowance or renewals allowance is made, but the amount of any losses accruing on the disposal of an asset shall be restricted by reference to capital allowances and renewals allowances as follows.
- (2) In the computation of the amount of a loss accruing to the person making the disposal, there shall be excluded from the sums allowable as a deduction any expenditure to the extent to which any capital allowance or renewals allowance has been or may be made in respect of it.
- (3) If the person making the disposal acquired the asset—
 - [^{F82}(a) by a transfer by way of sale in relation to which an election under section 569 of the Capital Allowances Act was made, or
 - (b) by a transfer to which section 268 of that Act applies,]
 (being enactments under which a transfer is treated for the purposes of capital allowances as being made at written down value), the preceding provisions of this section shall apply as if any capital allowance made to the transferor in respect of the asset had (except so far as any loss to the transferor was restricted under those provisions) been made to the person making the disposal (that is the transferee); and where the transferor acquired the asset by such a transfer, capital allowances which by virtue of this subsection can be taken into account in relation to the transferor shall also be taken into account in relation to the transferee (that is the person making the disposal), and so on for any series of transfers before the disposal.
- (4) In this section “capital allowance” means—
 - [^{F83}(a) any allowance under the Capital Allowances Act,]
 - [^{F84}(zaa) any deduction allowable in respect of capital expenditure in calculating profits on the cash basis (see sections 33A and 307B of ITTOIA 2005),]
 - [^{F85}(aa) any deduction under section 311A of ITTOIA 2005 or section 250A of CTA 2009 (replacement domestic items relief),]
 - (b) ^{F86}... [^{F87}any deduction under section 315 of ITTOIA 2005][^{F88}or section 254 of CTA 2009] (expenditure on sea walls), and

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- (c) any deduction in computing [^{F89}profits] allowable under ^{F90}... [^{F91}section 170 of ITTOIA 2005][^{F92}or section 147 of CTA 2009] (cemeteries).
- (5) In this section “renewals allowance” means a deduction allowable in computing the [^{F89}profits] of a trade, profession or vocation for the purpose of income tax by reference to the cost of acquiring an asset for the purposes of the trade, profession or vocation in replacement of another asset, and for the purposes of this Chapter a renewals allowance shall be regarded as a deduction allowable in respect of the expenditure incurred on the asset which is being replaced.
- (6) The amount of capital allowances to be taken into account under this section in relation to a disposal include any allowances falling to be made by reference to the event which is the disposal, and there shall be deducted from the amount of the allowances the amount of any balancing charge to which effect has been or is to be given by reference to the event which is the disposal, or any earlier event.
- ^{F93}(6A) Where—
- (a) capital allowances have been made or may be made in respect of expenditure, and
 - (b) the capital allowances include a deduction mentioned in subsection (4)(zaa),
- the capital allowances to be taken into account under this section are to be regarded as equal to the total amount of expenditure which has qualified for capital allowances less any balancing charge to which the person making the disposal is liable under the Capital Allowances Act.]
- (7) Where the disposal is of [^{F94}plant or machinery] in relation to expenditure on which allowances or charges have been made under [^{F95}Part 2 of the Capital Allowances Act, [^{F96}and subsection (6A) does not apply,] and neither Chapter 15 (assets provided or used only partly for qualifying activity) nor Chapter 16 (partial depreciation subsidies) of that Part] applies, the capital allowances to be taken into account under this section are to be regarded as equal to the difference between the [^{F97}qualifying expenditure] incurred, or treated as incurred, under that Part on the provision of the [^{F94}plant or machinery] by the person making the disposal and the disposal value required to be brought into account in respect of the [^{F94}plant or machinery].
- ^{F98}(8) Where there is a disposal of an asset acquired in circumstances in which—
- (a) section 140A applies, or
 - (b) section 171 applies or would apply but for subsection (2) of that section,
- this section has effect in relation to capital allowances made to the person from which it was acquired (so far as not taken into account in relation to a disposal of the asset by that person), and so on as respects previous transfers of the asset in such circumstances.
- This does not affect the consideration for which an asset is deemed under section 140A or 171 to be acquired.]
- ^{F99}(9) In this section—
- (a) in relation to a trade, profession or vocation, references to calculating profits on the cash basis are to calculating the profits of a trade, profession or vocation in relation to which an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect, and
 - (b) in relation to a property business, references to calculating profits on the cash basis are to be construed in accordance with section 271D of that Act (calculation of profits of property businesses on the cash basis).

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(10) In this section—

“capital expenditure” means expenditure of a capital nature incurred on, or in connection with, the creation, construction, acquisition, alteration or disposal of an asset, and

“property business” means a UK property business or an overseas property business within the meaning of Part 3 of ITTOIA 2005 (see sections 264 and 265 of that Act).]

Textual Amendments

- F82** S. 41(3)(a)(b) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(1\)](#)
- F83** S. 41(4)(a) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(2\)](#)
- F84** S. 41(4)(zaa) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 45\(2\)](#)
- F85** S. 41(4)(aa) inserted (with effect in accordance with s. 73(8)(9) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 73\(3\)](#)
- F86** Words in s. 41(4)(b) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 363\(a\)\(i\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F87** Words in s. 41(4)(b) inserted (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [s. 883\(1\)](#), [Sch. 1 para. 430\(a\)](#) (with [Sch. 2](#))
- F88** Words in s. 41(4)(b) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 363\(a\)\(ii\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F89** Word in s. 41(4)(5) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), [s. 46\(3\)\(a\)](#), [Sch. 7 para. 7](#)
- F90** Words in s. 41(4)(c) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 363\(b\)\(i\)](#), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))
- F91** Words in s. 41(4)(c) inserted (with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [s. 883\(1\)](#), [Sch. 1 para. 430\(b\)](#) (with [Sch. 2](#))
- F92** Words in s. 41(4)(c) inserted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [s. 1329\(1\)](#), [Sch. 1 para. 363\(b\)\(ii\)](#) (with [Sch. 2 Pts. 1, 2](#))
- F93** S. 41(6A) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 45\(3\)](#)
- F94** Words in s. 41(7) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(3\)\(a\)](#)
- F95** Words in s. 41(7) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(3\)\(b\)](#)
- F96** Words in s. 41(7) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 45\(4\)](#)
- F97** Words in s. 41(7) substituted (22.3.2001) by [Capital Allowances Act 2001 \(c. 2\)](#), [Sch. 2 para. 78\(3\)\(c\)](#)
- F98** S. 41(8) added (with effect in accordance with Sch. 29 para. 12(2) of the amending Act) by [Finance Act 2000 \(c. 17\)](#), [Sch. 29 para. 12\(1\)](#) (with [Sch. 29 para. 46\(5\)](#))
- F99** S. 41(9)(10) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 2 para. 45\(5\)](#)

Modifications etc. (not altering text)

- C58** S. 41 modified (16.7.1992) by 1992 c. 48, [s. 77](#), [Sch. 17 paras. 6\(2\)\(5\), 7](#)
- C59** S. 41 modified (19.9.1994) by [Coal industry Act 1994 \(c. 21\)](#), [s. 68\(4\)](#), [Sch. 4 para. 21\(2\)\(5\)\(6\)](#) (with [Sch. 4 para. 14](#)); [S.I. 1994/2189](#), [art. 2](#), [Sch.](#)
- C60** S. 41(8) modified (15.1.2001) by [Transport Act 2000 \(c. 38\)](#), [s. 275\(1\)](#), [Sch. 26 para. 10\(1\)](#) (with [Sch. 26 para. 10\(2\)](#)); [S.I. 2000/3376](#), [art. 2](#)

[^{F100}41A Restriction of losses: long funding leases of plant or machinery **U.K.**

(1) This section applies where a person disposes of an asset—

Status: Point in time view as at 16/11/2017.

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- (a) which includes plant or machinery which is a fixture for the purposes of Chapter 6A of Part 2 of the Capital Allowances Act, and
 - (b) which he has used for the purpose of leasing under one or more long funding leases.
- (2) In the computation of the amount of a loss accruing to the person on the disposal there shall be excluded from the sums allowable as a deduction by virtue of section 38(1) (a) and (b) (acquisition and enhancement costs) an amount determined in accordance with subsection (3) or (4).
- (3) Where the person has used the plant or machinery for the purpose of leasing under one long funding lease, the amount is equal to the fall in value of the plant or machinery during the period of the lease.
- (4) Where the person has used the plant or machinery for the purpose of leasing under more than one long funding lease, the amount is equal to the sum of the fall in value of the plant or machinery during the period of each lease.
- (5) In this section, references to the fall in value of plant or machinery during the period of a lease are references to the amount (if any) by which—
- (a) the market value of the plant or machinery at the commencement of the term of the lease,
exceeds
 - (b) its market value at the termination of the lease.
- (6) For the purposes of this section, the following expressions have the meaning given in Chapter 6A of Part 2 of the Capital Allowances Act (interpretation of provisions about long funding leases)—
- “commencement”, in relation to the term of a lease,
 - “long funding lease”,
 - “market value”,
 - “the term”, in relation to a lease,
 - “termination”.]

Textual Amendments

F100 S. 41A inserted (with effect in accordance with Sch. 9 para. 5(2) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 9 para. 5\(1\)](#)

42 Part disposals. U.K.

- (1) Where a person disposes of an interest or right in or over an asset, and generally wherever on the disposal of an asset any description of property derived from that asset remains undisposed of, the sums which under paragraphs (a) and (b) of section 38(1) are attributable to the asset shall, both for the purposes of the computation of the gain accruing on the disposal and for the purpose of applying this Part in relation to the property which remains undisposed of, be apportioned.
- (2) The apportionment shall be made by reference—
- (a) to the amount or value of the consideration for the disposal on the one hand (call that amount or value A), and

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(b) to the market value of the property which remains undisposed of on the other hand (call that market value B),
and accordingly the fraction of the said sums allowable as a deduction in the computation of the gain accruing on the disposal shall be—

$$\frac{A}{A + B}$$

and the remainder shall be attributed to the property which remains undisposed of.

- (3) Any apportionment to be made in pursuance of this section shall be made before operating the provisions of section 41 and if, after a part disposal, there is a subsequent disposal of an asset the capital allowances or renewals allowances to be taken into account in pursuance of that section in relation to the subsequent disposal shall, subject to subsection (4) below, be those referable to the sums which under paragraphs (a) and (b) of section 38(1) are attributable to the asset whether before or after the part disposal, but those allowances shall be reduced by the amount (if any) by which the loss on the earlier disposal was restricted under the provisions of section 41.
- (4) This section shall not be taken as requiring the apportionment of any expenditure which, on the facts, is wholly attributable to what is disposed of, or wholly attributable to what remains undisposed of.
- (5) It is hereby declared that this section, and all other provisions for apportioning on a part disposal expenditure which is deductible in computing a gain, are to be operated before the operation of, and without regard to, section 58(1), sections 152 to 158 (but without prejudice to section 152(10)), section 171(1) or any other enactment making an adjustment to secure that neither a gain nor a loss occurs on a disposal.

Modifications etc. (not altering text)

- C61** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 667\(2\)](#), [1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))
- C62** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 668\(2\)](#), [1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))
- C63** S. 42(2) applied (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), [ss. 670\(5\)](#), [1329\(1\)](#) (with [Sch. 2 Pts. 1, 2](#))

43 Assets derived from other assets. U.K.

If and so far as, in a case where assets have been merged or divided or have changed their nature or rights or interests in or over assets have been created or extinguished, the value of an asset is derived from any other asset in the same ownership, an appropriate proportion of the sums allowable as a deduction in the computation of a gain in respect of the other asset under paragraphs (a) and (b) of section 38(1) shall, both for the purpose of the computation of a gain accruing on the disposal of the first-mentioned asset and, if the other asset remains in existence, on a disposal of that other asset, be attributed to the first-mentioned asset.

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Wasting assets

44 Meaning of “wasting asset”. U.K.

- (1) In this Chapter “wasting asset” means an asset with a predictable life not exceeding 50 years but so that—
 - (a) freehold land shall not be a wasting asset whatever its nature, and whatever the nature of the buildings or works on it;
 - (b) “life”, in relation to any tangible movable property, means useful life, having regard to the purpose for which the tangible assets were acquired or provided by the person making the disposal;
 - (c) plant and machinery shall in every case be regarded as having a predictable life of less than 50 years, and in estimating that life it shall be assumed that its life will end when it is finally put out of use as being unfit for further use, and that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout its life as so estimated;
 - (d) a life interest in settled property shall not be a wasting asset until the predictable expectation of life of the life tenant is 50 years or less, and the predictable life of life interests in settled property and of annuities shall be ascertained from actuarial tables approved by the Board.
- (2) In this Chapter “the residual or scrap value”, in relation to a wasting asset, means the predictable value, if any, which the wasting asset will have at the end of its predictable life as estimated in accordance with this section.
- (3) The question what is the predictable life of an asset, and the question what is its predictable residual or scrap value at the end of that life, if any, shall, so far as those questions are not immediately answered by the nature of the asset, be taken, in relation to any disposal of the asset, as they were known or ascertainable at the time when the asset was acquired or provided by the person making the disposal.

45 Exemption for certain wasting assets. U.K.

- (1) Subject to the provisions of this section, no chargeable gain shall accrue on the disposal of, or of an interest in, an asset which is tangible movable property and which is a wasting asset.
- (2) Subsection (1) above shall not apply to a disposal of, or of an interest in, an asset—
 - (a) if, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, the asset has been used and used solely for the purposes of a trade, profession or vocation and if that person has claimed or could have claimed any capital allowance in respect of any expenditure attributable to the asset or interest under paragraph (a) or paragraph (b) of section 38(1); or
 - (b) if the person making the disposal has incurred any expenditure on the asset or interest which has otherwise qualified in full for any capital allowance.
- (3) In the case of the disposal of, or of an interest in, an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances—

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- (a) the consideration for the disposal, and any expenditure attributable to the asset or interest by virtue of section 38(1)(a) and (b), shall be apportioned by reference to the extent to which that expenditure qualified for capital allowances, and
- (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
- (c) subsection (1) above shall not apply to any gain accruing by reference to the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances.

[^{F101}(3A) But subsection (3) does not apply in the case of a disposal in relation to which subsection (3B) disapplies subsection (1).

(3B) Subsection (1) does not apply to a disposal of, or of an interest in, an asset if—

- (a) at any time in the period of ownership of the person making the disposal, the asset is used for the purposes of a trade, profession or vocation carried on by another person,
- (b) as a result of that use, the asset becomes plant,
- (c) but for the asset therefore being regarded under section 44(1)(c) as having a predictable life of less than 50 years, the disposal would not be of, or of an interest in, a wasting asset, and
- (d) the disposal is not within subsection (3C).

(3C) A disposal of, or of an interest in, an asset is within this subsection if the asset is plant used for the purpose of leasing under a long funding lease and—

- (a) the disposal takes place after the commencement of the term of the lease but before the termination of the lease, or
- (b) the disposal is the deemed disposal of the asset under section 25A(3)(a) on the termination of the lease.

(3D) Section 25A(5) applies for the purposes of subsection (3C).]

- (4) Subsection (1) above shall not apply to a disposal of commodities of any description by a person dealing on a terminal market or dealing with or through a person ordinarily engaged in dealing on a terminal market.

Textual Amendments

F101 S. 45(3A)-(3D) inserted (with effect in accordance with s. 40(2) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 40\(1\)](#)

46 Straightline restriction of allowable expenditure. **U.K.**

(1) In the computation of the gain accruing on the disposal of a wasting asset it shall be assumed—

- (a) that any expenditure attributable to the asset under section 38(1)(a) after deducting the residual or scrap value, if any, of the asset, is written off at a uniform rate from its full amount at the time when the asset is acquired or provided to nothing at the end of its life, and

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- (b) that any expenditure attributable to the asset under section 38(1)(b) is written off from the full amount of that expenditure at the time when that expenditure is first reflected in the state or nature of the asset to nothing at the end of its life, so that an equal daily amount is written off day by day.
- (2) Thus, calling the predictable life of a wasting asset at the time when it was acquired or provided by the person making the disposal L , the period from that time to the time of disposal $T(1)$, and, in relation to any expenditure attributable to the asset under section 38(1)(b), the period from the time when that expenditure is first reflected in the state or nature of the asset to the said time of disposal $T(2)$, there shall be excluded from the computation of the gain—
- (a) out of the expenditure attributable to the asset under section 38(1)(a) a fraction—

$$\frac{T(1)}{L}$$

of an amount equal to the amount of that expenditure minus the residual or scrap value, if any, of the asset, and

- (b) out of the expenditure attributable to the asset under section 38(1)(b) a fraction—

$$\frac{T(2)}{L - (T(1) - T(2))}$$

of the amount of the expenditure.

- (3) If any expenditure attributable to the asset under section 38(1)(b) creates or increases a residual or scrap value of the asset, the provisions of subsection (1)(a) above shall be applied so as to take that into account.

47 **Wasting assets qualifying for capital allowances.** U.K.

- (1) Section 46 shall not apply in relation to a disposal of an asset—
- (a) which, from the beginning of the period of ownership of the person making the disposal to the time when the disposal is made, is used and used solely for the purposes of a trade, profession or vocation and in respect of which that person has claimed or could have claimed any capital allowance in respect of any expenditure attributable to the asset under paragraph (a) or paragraph (b) of section 38(1), or
- (b) on which the person making the disposal has incurred any expenditure which has otherwise qualified in full for any capital allowance.
- (2) In the case of the disposal of an asset which, in the period of ownership of the person making the disposal, has been used partly for the purposes of a trade, profession or vocation and partly for other purposes, or has been used for the purposes of a trade, profession or vocation for part of that period, or which has otherwise qualified in part only for capital allowances—
- (a) the consideration for the disposal, and any expenditure attributable to the asset by paragraph (a) or paragraph (b) of section 38(1) shall be apportioned

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- by reference to the extent to which that expenditure qualified for capital allowances, and
- (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
 - (c) section 46 shall not apply for the purposes of the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation, or to the expenditure qualifying for capital allowances, and
 - (d) if an apportionment of the consideration for the disposal has been made for the purposes of making any capital allowance to the person making the disposal or for the purpose of making any balancing charge on him, that apportionment shall be employed for the purposes of this section, and
 - (e) subject to paragraph (d) above, the consideration for the disposal shall be apportioned for the purposes of this section in the same proportions as the expenditure attributable to the asset is apportioned under paragraph (a) above.

[^{F102}Cash basis accounting

Textual Amendments

F102 Ss. 47A, 47B and cross-heading inserted (with effect in accordance with Sch. 4 paras. 56, 57 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 4 para. 45](#)

47A [^{F103}Exemption for certain disposals under, or after leaving, cash basis] **U.K.**

- (1) No chargeable gain shall accrue on the disposal of, or of an interest in, an asset if conditions [^{F104}A, B and D] are met in relation to the asset.
- [^{F105}(2) Condition A is that the asset is not land.]
- (3) Condition B is that, at any time during the period of ownership of the person making the disposal, the asset has been used for the purposes of a trade, profession [^{F106}, vocation or property business] carried on by the person.
- [^{F107}(4)
- [^{F108}(5) Condition D is that relevant disposal proceeds—
 - (a) are brought into account as a receipt (whether or not on the cash basis) under section 96A(3I) of ITTOIA 2005 in calculating the profits of a trade, profession or vocation (capital receipts under, or after leaving, cash basis: trades, professions and vocations), or
 - (b) are brought into account as a receipt (whether or not on the cash basis) under section 307E(12) of that Act in calculating the profits of a property business (capital receipts under, or after leaving, cash basis: property businesses).
- (5A) “Relevant disposal proceeds” means disposal proceeds as mentioned in section 96A(3F) of ITTOIA 2005 or (as the case may be) section 307E(9) of that Act which arise from the disposal mentioned in subsection (1).]
- [^{F109}(6) Subsection (7) applies in the case of the disposal of, or of an interest in, an asset—
 - (a) which, in the period of ownership of the person making the disposal—

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- (i) has been used partly for the purposes of the trade, profession or vocation and partly for other purposes, or
 - (ii) has been used for the purposes of the trade, profession or vocation for part of that period, or
 - (b) expenditure on which by the person has qualified in part only for capital allowances.]
- (7) In such a case—
- (a) the consideration for the disposal, and any expenditure attributable to the asset or interest by virtue of section 38(1)(a) and (b), shall be apportioned by reference to the extent to which that expenditure [^{F110}qualified for capital allowances],
 - (b) the computation of the gain shall be made separately in relation to the apportioned parts of the expenditure and consideration, and
 - (c) subsection (1) above shall apply to any gain accruing by reference to the computation in relation to the part of the consideration apportioned to use for the purposes of the trade, profession or vocation [^{F111}, or to the expenditure qualifying for capital allowances].

[In this section “property business” means a UK property business or an overseas ^{F112}(8) property business within the meaning of Part 3 of ITTOIA 2005 (see sections 264 and 265 of that Act).]

Textual Amendments

- F103** S. 47A heading substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(2)**
- F104** Words in s. 47A(1) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(3)**
- F105** S. 47A(2) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(4)**
- F106** Words in s. 47A(3) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(5)**
- F107** S. 47A(4) omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(6)**
- F108** S. 47A(5)(5A) substituted for s. 47A(5) (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(7)**
- F109** S. 47A(6) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(8)**
- F110** Words in s. 47A(7)(a) substituted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(9)(a)**
- F111** Words in s. 47A(7)(c) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(9)(b)**
- F112** S. 47A(8) inserted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 46(10)**

^{F113}**47B Disposals made by persons after leaving cash basis** **U.K.**

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Textual Amendments

- F113** S. 47B omitted (with effect in accordance with Sch. 2 para. 64 of the amending Act) by virtue of [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 2 para. 47**

Miscellaneous provisions

48 Consideration due after time of disposal. **U.K.**

[^{F114}(1)] In the computation of the gain consideration for the disposal shall be brought into account without any discount for postponement of the right to receive any part of it and, in the first instance, without regard to a risk of any part of the consideration being irrecoverable or to the right to receive any part of the consideration being contingent; and if any part of the consideration so brought into account [^{F115}subsequently proves to be irrecoverable, there shall be made, on a claim being made to that effect, such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence].

[^{F116}(2)] Subsection (1) above does not apply in relation to so much of any consideration as consists of rights under a creditor relationship to which a company becomes a party as a result of the disposal.

(3) In the computation of the gain in a case where subsection (2) above has effect in relation to any consideration, the amount to be brought into account in respect of that consideration is the fair value of the creditor relationship.

(4) In this section—

- (a) “creditor relationship”, and
- (b) “fair value”, in relation to a creditor relationship,

each have the same meaning as in [^{F117}Part 5 of CTA 2009 (see sections 302(5) and 313(6))].]

Textual Amendments

F114 S. 48 renumbered as s. 48(1) (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 7(2)**

F115 Words in s. 48 substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), **Sch. 20 para. 48**

F116 S. 48(2)-(4) added (20.7.2005) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 7 para. 7(3)**

F117 Words in s. 48(4) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 364** (with Sch. 2 Pts. 1, 2)

Modifications etc. (not altering text)

C64 S. 48 applied (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), **ss. 208, 1184(1)** (with Sch. 2)

[^{F118}48A Unascertainable consideration **U.K.**

(1) This section applies where—

- (a) a person (“P”) has made a non-resident CGT disposal in relation to which there accrued to P an NRCGT gain chargeable to, or an NRCGT loss allowable

Status: Point in time view as at 16/11/2017.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Part II is up to date with all changes known to be in force on or before 29 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- for the purposes of, capital gains tax by virtue of section 14D or 188D (“the original disposal”),
- (b) P acquired a right as the whole or part of the consideration for that disposal,
 - (c) on P's acquisition of the right, there was no corresponding disposal of it, and
 - (d) the right is a right to unascertainable consideration (see subsections (4) to (6)).
- (2) If P subsequently receives consideration (“the ascertained consideration”) representing the whole or part of the consideration referred to in subsection (1)(d) and condition A in section 14B would have been met in relation to the original disposal had a gain on that disposal accrued at the time of the receipt of the ascertained consideration—
- (a) the ascertained consideration is treated as not accruing on the disposal of the right,
 - (b) the costs of P's acquisition of the right (or, in the case of a part disposal of the right, those costs so far as referable to the part disposed of) are taken to be nil, and
 - (c) the following steps are taken.

Step 1 Any amount by which the ascertained consideration exceeds the relevant original consideration is treated as consideration (or further consideration) accruing on the original disposal. If the relevant original consideration exceeds the ascertained consideration, the consideration accruing on the original disposal is treated as reduced by the amount of the excess.

Step 2 Compute the difference that the adjustment under step 1 makes to what (if any) NRCGT gain or loss, ATED-related gain or loss or other gain or loss accrues on the original disposal (computing this separately for each type of gain or loss). The difference is “positive” if a loss is decreased (to nil or otherwise) or a gain created or increased. The difference is “negative” if a gain is reduced (to nil or otherwise) or a loss created or increased.

Step 3 Any positive amount computed under step 2 is treated for the purposes of this Act and the Management Act as a gain (of the type appropriate to the computation) accruing to P at the time of the receipt of the ascertained consideration. Any negative amount computed under step 2 is treated for the purposes of this Act and the Management Act as a loss (of the type appropriate to the computation) accruing to P at the time of the receipt of the ascertained consideration.
- (3) In step 1 in subsection (2), “the relevant original consideration” means the consideration accruing on the original disposal, so far as referable to the right mentioned in subsection (1)(b) (or, in the case of a part disposal of the right, referable to the part disposed of).
- (4) A right is a right to unascertainable consideration if, and only if—
- (a) it is a right to consideration the amount or value of which is unascertainable at the time when the right is conferred, and
 - (b) that amount or value is unascertainable at that time on account of its being referable, in whole or in part, to matters which are uncertain at that time because they have not yet occurred.

This subsection is subject to subsections (5) and (6).

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- (5) The amount or value of any consideration is not to be regarded as being unascertainable by reason only—
- (a) that the right to receive the whole or any part of the consideration is postponed or contingent, if the consideration or, as the case may be, that part of it is, in accordance with section 48, brought into account in the computation of the gain accruing to a person on the disposal of an asset, or
 - (b) in a case where the right to receive the whole or any part of the consideration is postponed and is to be, or may be, to any extent satisfied by the receipt of property of one description or property of some other description, that some person has a right to select the property, or the description of property, that is to be received.
- (6) A right is not to be taken to be a right to unascertainable consideration by reason only that either the amount or the value of the consideration has not been fixed, if—
- (a) the amount will be fixed by reference to the value, and the value is ascertainable, or
 - (b) the value will be fixed by reference to the amount, and the amount is ascertainable.]

Textual Amendments

F118 S. 48A inserted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 7 para. 14](#)

49 Contingent liabilities. **U.K.**

- (1) In the first instance no allowance shall be made in the computation of the gain—
- (a) in the case of a disposal by way of assigning a lease of land or other property, for any liability remaining with, or assumed by, the person making the disposal by way of assigning the lease which is contingent on a default in respect of liabilities thereby or subsequently assumed by the assignee under the terms and conditions of the lease,
 - (b) for any contingent liability of the person making the disposal in respect of any covenant for quiet enjoyment or other obligation assumed as vendor of land, or of any estate or interest in land, or as a lessor,
 - (c) for any contingent liability in respect of a warranty or representation made on a disposal by way of sale or lease of any property other than land.
- [^{F119}(2) If any such contingent liability subsequently becomes enforceable and is being or has been enforced, there shall be made, on a claim being made to that effect, such adjustment, whether by way of discharge or repayment of tax or otherwise, as is required in consequence.]
- (3) Subsection (2) above also applies where the disposal in question was before the commencement of this section.

Textual Amendments

F119 S. 49(2) substituted (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 20 para. 49](#)

Status: Point in time view as at 16/11/2017.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Part II is up to date with all changes known to be in force on or before 29 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

50 Expenditure reimbursed out of public money. U.K.

There shall be excluded from the computation of a gain any expenditure which has been or is to be met directly or indirectly by the Crown or by any Government, public or local authority whether in the United Kingdom or elsewhere.

51 Exemption for winnings and damages etc. U.K.

- (1) It is hereby declared that winnings from betting, including pool betting, or lotteries or games with prizes are not chargeable gains, and no chargeable gain or allowable loss shall accrue on the disposal of rights to winnings obtained by participating in any pool betting or lottery or game with prizes.
- (2) It is hereby declared that sums obtained by way of compensation or damages for any wrong or injury suffered by an individual in his person or in his profession or vocation are not chargeable gains.

52 Supplemental. U.K.

- (1) No deduction shall be allowable in a computation of the gain more than once from any sum or from more than one sum.
- (2) References in this Chapter to sums taken into account as receipts or as expenditure in computing profits or gains or losses for the purposes of income tax shall include references to sums which would be so taken into account but for the fact that any profits or gains of a trade, profession, employment or vocation are not chargeable to income tax or that losses are not allowable for those purposes.
- (3) In this Chapter references to income or profits charged or chargeable to tax include references to income or profits taxed or as the case may be taxable by deduction at source.
- (4) For the purposes of any computation of the gain any necessary apportionments shall be made of any consideration or of any expenditure and the method of apportionment adopted shall, subject to the express provisions of this Chapter, be ^{F120}... just and reasonable.
- (5) In this Chapter “capital allowance” and “renewals allowance” have the meanings given by subsections (4) and (5) of section 41.

Textual Amendments

F120 Words in s. 52(4) repealed (with effect in accordance with s. 134(2) of the amending Act) by [Finance Act 1996 \(c. 8\), Sch. 20 para. 50, Sch. 41 Pt. V\(10\)](#)

Status: Point in time view as at 16/11/2017.

Changes to legislation: Taxation of Chargeable Gains Act 1992, Part II is up to date with all changes known to be in force on or before 29 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

CHAPTER IV **U.K.**

COMPUTATION OF GAINS: THE INDEXATION ALLOWANCE

General

[^{F121}52A Chapter to apply only for corporation tax purposes **U.K.**

This Chapter applies only for the purposes of corporation tax.]

Textual Amendments

F121 S. 52A inserted (with effect in accordance with Sch. 2 para. 83 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 78](#)

53 The indexation allowance and interpretative provisions. **U.K.**

(1) Subject to any provision to the contrary, [^{F122}if on the disposal of an asset there is an unindexed gain, an allowance (“the indexation allowance”) shall be allowed against the unindexed gain—

- (a) so as to give the gain for the purposes of this Act, or
- (b) if the indexation allowance equals or exceeds the unindexed gain, so as to extinguish it (in which case the disposal shall be one on which, after taking account of the indexation allowance, neither a gain nor a loss accrues)];

and any reference in this Act to an indexation allowance or to the making of an indexation allowance shall be construed accordingly.

^{F123}(1A)

(2) For the purposes of [^{F124}this Chapter], in relation to any disposal of an asset—

- [^{F125}(a) “unindexed gain” means the amount of the gain on the disposal computed in accordance with this Part]; and
- (b) “relevant allowable expenditure” means, subject to subsection (3) below, any sum which, in the computation of the unindexed [^{F126}gain] was taken into account by virtue of paragraph (a) or paragraph (b) of section 38(1).

[^{F127}(2A) Notwithstanding anything in section 16 of this Act, this section shall not apply to a disposal on which a loss accrues.]

(3) In determining what sum (if any) was taken into account as mentioned in subsection (2) (b) above, account shall be taken of any provision of any enactment which, for the purpose of the computation of the gain, increases, excludes or reduces the whole or any part of any item of expenditure falling within section 38 or provides for it to be written-down.

(4) Sections 54 and 108 and this section have effect subject to sections 56, 57, 109, 110 ^{F128} . . . , 113, 131 and 145.

Textual Amendments

F122 Words in s. 53(1) substituted (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), [s. 93\(1\)](#) (with [Sch. 12](#))

Status: Point in time view as at 16/11/2017.

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- F123** S. 53(1A) omitted (with effect in accordance with Sch. 2 para. 83 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 79(a)**
- F124** Words in s. 53(2) substituted (with effect in accordance with s. 93(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 93(2)(a)** (with Sch. 12)
- F125** S. 53(2)(a) substituted (with effect in accordance with s. 93(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 93(2)(b)** (with Sch. 12)
- F126** Word in s. 53(2)(b) substituted (with effect in accordance with s. 93(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 93(2)(c)** (with Sch. 12)
- F127** S. 53(2A) inserted (with effect in accordance with s. 93(11) of the amending Act) by Finance Act 1994 (c. 9), **s. 93(3)** (with Sch. 12)
- F128** Word in s. 53(4) omitted (with effect in accordance with Sch. 2 para. 83 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 79(b)**

54 Calculation of indexation allowance. U.K.

- (1) Subject to any provision to the contrary, the indexation allowance is the aggregate of the indexed rise in each item of relevant allowable expenditure; and, in relation to any such item of expenditure, the indexed rise is a sum produced by multiplying the amount of that item by a figure expressed as a decimal and determined, subject to subsections (2) and (3) below, by the formula—

$$\frac{(RD - RI)}{RI}$$

where—

- RD is the retail prices index for [^{F129}the month in which the disposal occurs]; and
- RI is the retail prices index for March 1982 or the month in which the expenditure was incurred, whichever is the later.

^{F130}(1A)

- (2) If, in relation to any item of expenditure—
 - (a) the expenditure is attributable to the acquisition of relevant securities, within the meaning of section 108, which are disposed of within the period of 10 days beginning on the day on which the expenditure was incurred, or
 - (b) RD, as defined in subsection (1) above, is equal to or less than RI, as so defined,
 the indexed rise in that item is nil.
- (3) If, in relation to any item of expenditure, the figure determined in accordance with the formula in subsection (1) above would, apart from this subsection, be a figure having more than 3 decimal places, it shall be rounded to the nearest third decimal place.
- (4) For the purposes of this section—
 - (a) relevant allowable expenditure falling within paragraph (a) of subsection (1) of section 38 shall be assumed to have been incurred at the time when the asset in question was acquired or provided; and
 - (b) relevant allowable expenditure falling within paragraph (b) of that subsection shall be assumed to have been incurred at the time when that expenditure became due and payable.

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Textual Amendments

F129 Words in s. 54(1) substituted (with effect in accordance with Sch. 2 para. 83 of the amending Act) by Finance Act 2008 (c. 9), **Sch. 2 para. 80(2)**

F130 S. 54(1A) omitted (with effect in accordance with Sch. 2 para. 83 of the amending Act) by virtue of Finance Act 2008 (c. 9), **Sch. 2 para. 80(3)**

55 Assets owned on 31st March 1982 or acquired on a no gain/no loss disposal. **U.K.**

- (1) For the purpose of computing the indexation allowance on a disposal of an asset where, on 31st March 1982, the asset was held by the person making the disposal, it shall be assumed that on that date the asset was sold by the person making the disposal and immediately reacquired by him at its market value on that date.
- (2) Except where an election under section 35(5) has effect, neither subsection (1) above nor section 35(2) shall apply for the purpose of computing the indexation allowance in a case where that allowance would be greater if they did not apply.
- (3) If under subsection (1) above it is to be assumed that any asset was on 31st March 1982 sold by the person making the disposal and immediately reacquired by him, sections 41 and 47 shall apply in relation to any capital allowance or renewals allowance made in respect of the expenditure actually incurred by him in providing the asset as if it were made in respect of expenditure which, on that assumption, was incurred by him in reacquiring the asset on 31st March 1982.
- (4) Where, after 31st March 1982, an asset which was held on that date has been merged or divided or has changed its nature or rights in or over the asset have been created, then, subject to subsection (2) above, subsection (1) above shall have effect to determine for the purposes of section 43 the amount of the consideration for the acquisition of the asset which was so held.
- (5) Subsection (6) below applies to a disposal of an asset which is not a no gain/no loss disposal if—
 - (a) the person making the disposal acquired the asset after 31st March 1982; and
 - (b) the disposal by which he acquired the asset and any previous disposal of the asset after 31st March 1982 was a no gain/no loss disposal;
 and for the purposes of this subsection a no gain/no loss disposal is one on which, by virtue of section 257(2) or 259(2) or any of the ^{F131}no gain/no loss provisions], neither a gain nor a loss accrues (or accrued) to the person making the disposal.
- ^{F132}(5A) For the purposes of subsection (5), a disposal is also a no gain/no loss disposal if it is one on which, by virtue of section 195B, 195C or 195E, neither a gain nor a loss accrues to the person making the disposal; but, in such a case, subsection (6)(b) below does not apply.]
- (6) Where this subsection applies to a disposal of an asset—
 - (a) the person making the disposal shall be treated for the purpose of computing the indexation allowance on the disposal as having held the asset on 31st March 1982; ^{F133}...
 - ^{F134}(aa) in the case of a disposal to which paragraph 1A of Schedule 3 applies (certain holdings of shares or securities), the market value of the asset on that date is to be determined in accordance with that paragraph; and]

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- (b) for the purpose of determining any gain or loss on the disposal, the consideration which, apart from this subsection, that person would be treated as having given for the asset shall be taken to be reduced by deducting therefrom any indexation allowance brought into account by virtue of section 56(2) on any disposal falling within subsection (5)(b) above.
- [^{F135}(7) The rules in subsection (8) below apply (after the application of section 53 but before the application of section 35(3) or (4)) to give the gain or loss for the purposes of this Act where—
- (a) subsection (6) above applies to the disposal (the “disposal in question”) of an asset by any person (the “transferor”), and
 - (b) but for paragraph (b) of that subsection, the consideration the transferor would be treated as having given for the asset would include an amount or amounts of indexation allowance brought into account by virtue of section 56(2) on any disposal made before 30th November 1993.
- (8) The rules are as follows—
- (a) where (apart from this subsection) there would be a loss, an amount equal to the rolled-up indexation shall be added to it so as to increase it,
 - (b) where (apart from this subsection) the unindexed gain or loss would be nil, there shall be a loss of an amount equal to the rolled-up indexation, and
 - (c) where (apart from this subsection)—
 - (i) there would be an unindexed gain, and
 - (ii) the gain or loss would be nil but the amount of the indexation allowance used to extinguish the gain would be less than the rolled-up indexation,
 the difference shall constitute a loss.
- (9) In this section the “rolled-up indexation” means, subject to subsections (10) and (11) below, the amount or, as the case may be, the aggregate of the amounts referred to in subsection (7)(b) above; and subsections (10) and (11) below shall, as well as applying on the disposal in question, be treated as having applied on any previous part disposal by the transferor.
- (10) Where, for the purposes of any disposal of the asset by the transferor, any amount falling within any, or any combination of, paragraphs (a) to (c) of section 38(1) is required by any enactment to be excluded, reduced or written down, the amount or aggregate referred to in subsection (9) above (or so much of it as remains after the application of this subsection and subsection (11) below on a previous part disposal) shall be reduced in proportion to any reduction made in the amount falling within the paragraph, or the combination of paragraphs, in question.
- (11) Where the transferor makes a part disposal of the asset at any time, then, for the purposes of that and any subsequent disposal, the amount or aggregate referred to in subsection (9) above (or so much of it as remains after the application of this subsection and subsection (10) above on a previous part disposal by him or after the application of subsection (10) above on the part disposal) shall be apportioned between the property disposed of and the property which remains in the same proportions as the sums falling within section 38(1)(a) and (b).]

Status: Point in time view as at 16/11/2017.

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Textual Amendments

- F131** Words in s. 55(5) substituted (with effect in accordance with Sch. 2 para. 71 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 2 para. 60](#)
- F132** S. 55(5A) inserted (with effect in accordance with Sch. 40 para. 8 of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [Sch. 40 para. 3](#)
- F133** Word in s. 55(6)(a) omitted (with effect in accordance with art. 7(4) of the amending S.I.) by virtue of [The Enactment of Extra-Statutory Concessions Order 2010 \(S.I. 2010/157\)](#), arts. 1, [7\(2\)](#)
- F134** S. 55(6)(aa) inserted (with effect in accordance with art. 7(4) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2010 \(S.I. 2010/157\)](#), arts. 1, [7\(2\)](#)
- F135** S. 55(7)-(11) inserted (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), s. [93\(4\)](#) (with [Sch. 12](#))

56 Part disposals and disposals on a no-gain/no-loss basis. **U.K.**

- (1) For the purpose of determining the indexation allowance (if any) on the occasion of a part disposal of an asset, the apportionment under section 42 of the sums which make up the relevant allowable expenditure shall be effected before the application of section 54 and, accordingly, in relation to a part disposal—
- references in section 54 to an item of expenditure shall be construed as references to that part of that item which is so apportioned for the purposes of the computation of the unindexed gain^{F136}... on the part disposal; and
 - no indexation allowance shall be determined by reference to the part of each item of relevant allowable expenditure which is apportioned to the property which remains undisposed of.
- (2) [^{F137}On a no gain/no loss disposal by any person (“the transferor”)]—
- the amount of the consideration shall be calculated for the purposes of this Act on the assumption that, on the disposal, an unindexed gain accrues to the transferor which is equal to the indexation allowance on the disposal, and
 - the disposal shall accordingly be one on which, after taking account of the indexation allowance, neither a gain nor a loss accrues;

and for the purposes of the application of sections 53 and 54 there shall be disregarded so much of any enactment as provides that, on the subsequent disposal of the asset by the person acquiring the asset on the disposal (“the transferee”), the transferor’s acquisition of the asset is to be treated as the transferee’s acquisition of it.

- [^{F138}(3) Where apart from this subsection—
- a loss would accrue on the disposal of an asset, and
 - the sums allowable as a deduction in computing that loss would include an amount attributable to the application of the assumption in subsection (2) above on any no gain/no loss disposal made on or after 30th November 1993, those sums shall be determined as if that subsection had not applied on any such disposal made on or after that date and the loss shall be reduced accordingly or, if those sums are then equal to or less than the consideration for the disposal, the disposal shall be one on which neither a gain nor a loss accrues.
- (4) For the purposes of this section a no gain/no loss disposal is one which, by virtue of any enactment other than section 35(4), 53(1) or this section, is treated as a disposal on which neither a gain nor a loss accrues to the person making the disposal.]

Status: Point in time view as at 16/11/2017.

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Textual Amendments

- F136** Words in s. 56(1)(a) repealed (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), **Sch. 26 Pt. V(8)**
- F137** Words in s. 56(2) substituted (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), **s. 93(5)(a)** (with [Sch. 12](#))
- F138** S. 56(3)(4) added (with effect in accordance with s. 93(11) of the amending Act) by [Finance Act 1994 \(c. 9\)](#), **s. 93(5)(b)** (with [Sch. 12](#))

57 Receipts etc. which are not treated as disposals but affect relevant allowable expenditure. **U.K.**

- (1) This section applies where, in determining the relevant allowable expenditure in relation to a disposal of an asset, account is required to be taken, as mentioned in section 53(3), of any provision of any enactment which, by reference to a relevant event, reduces the whole or any part of an item of expenditure as mentioned in that subsection.
- (2) For the purpose of determining, in a case where this section applies, the indexation allowance (if any) to which the person making the disposal is entitled, no account shall in the first instance be taken of the provision referred to in subsection (1) above in calculating the indexed rise in the item of expenditure to which that provision applies but, from that indexed rise as so calculated, there shall be deducted a sum equal to the indexed rise (determined as for the purposes of the actual disposal) in a notional item of expenditure which—
 - (a) is equal to the amount of the reduction effected by the provision concerned; and
 - (b) was incurred on the date of the relevant event referred to in subsection (1) above.
- (3) In this section “relevant event” means any event which does not fall to be treated as a disposal for the purposes of this Act.

[^{F139}CHAPTER 5 **U.K.**

COMPUTATION OF GAINS AND LOSSES: RELEVANT HIGH VALUE DISPOSALS

Textual Amendments

- F139** Pt. 2 Ch. 5 inserted (with effect in accordance with [Sch. 25 para. 20](#) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 25 para. 9**

57A Gains and losses on relevant high value disposals **U.K.**

- (1) Schedule 4ZZA makes provision about the computation of gains and losses on relevant high value disposals, including provision about whether a gain or loss is ATED-related or not.
- (2) But if the effect of Schedule 4ZZA applying in relation to a disposal would be that no ATED-related gain or loss accrues on the disposal, for the purposes of this Act

Status: Point in time view as at 16/11/2017.

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the gain or loss on the disposal is to be computed ignoring that Schedule (and is not ATED-related).

- [Subsection (2) does not apply where^{F141}—
- ^{F140}(3) (a) Part 4 of Schedule 4ZZB applies (non-resident CGT disposals which are or involve relevant high value disposals) [^{F142}or,
- (b) Part 3 of Schedule 4ZZC applies (other disposals of residential property interests which are or involve relevant high value disposals)].]

Textual Amendments

F140 S. 57A(3) inserted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 7 para. 15](#)

F141 S. 57A(3)(a) formed from s. 57A(3) (with effect in accordance with s. 83(17) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 12 para. 2\(a\)](#)

F142 S. 57A(3)(b) and preceding word inserted (with effect in accordance with s. 83(17) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 12 para. 2\(b\)](#)

^{F143}CHAPTER 6 **U.K.**

COMPUTATION OF GAINS AND LOSSES: NON-RESIDENT CGT DISPOSALS

Textual Amendments

F143 Pt. 2 Ch. 6 inserted (with effect in accordance with Sch. 7 para. 60 of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 7 para. 16](#)

57B Gains and losses on non-resident CGT disposals **U.K.**

- (1) Schedule 4ZZB makes provision about the computation of—
- (a) NRCGT gains or losses, and
- (b) other gains or losses,
- on non-resident CGT disposals.
- (2) For further provision about non-resident CGT disposals and NRCGT gains and losses see sections 14B to 14H and 188D and 188E.]

^{F144}CHAPTER 7 **U.K.**

COMPUTATION OF GAINS AND LOSSES: DISPOSALS OF RESIDENTIAL PROPERTY INTERESTS

Textual Amendments

F144 Pt. 2 Ch. 7 inserted (with effect in accordance with s. 83(17) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [Sch. 12 para. 3](#)

Status: Point in time view as at 16/11/2017.

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57C Gains and losses on disposals of residential property interests **U.K.**

Schedule 4ZZC makes provision about the computation of—

- (a) residential property gains or losses, and
- (b) other gains or losses,

on disposals of residential property interests which are not non-resident CGT disposals.]

Status:

Point in time view as at 16/11/2017.

Changes to legislation:

Taxation of Chargeable Gains Act 1992, Part II is up to date with all changes known to be in force on or before 29 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.