



Taxation of Chargeable Gains Act 1992

1992 CHAPTER 12

PART II

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

CHAPTER IV

COMPUTATION OF GAINS: THE INDEXATION ALLOWANCE

General

[^{F1}52A Chapter to apply only for corporation tax purposes

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

Textual Amendments

F1 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.

- (1) Subject to any provision to the contrary, [^{F2}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)];

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

^{F3}(1A)

^{F4}(1B) Indexation allowance is not allowed in respect of changes shown by the retail prices indices for months after December 2017.]

- (2) For the purposes of ^{F5}[this Chapter], in relation to any disposal of an asset—
- ^{F6}(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 ^{F7}[gain] was taken into account by virtue of paragraph (a) or paragraph (b) of section 38(1).

^{F8}(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 ^{F9}... , 113, 131 and 145.

Textual Amendments

- F2** 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](#))
- F3** 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\(a\)](#)
- F4** S. 53(1B) inserted (with effect in accordance with s. 26(6)(7) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 26\(2\)](#)
- F5** 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](#))
- F6** 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](#))
- F7** 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](#))
- F8** 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](#))
- F9** 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.

- (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—

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

where—

RD is the retail prices index for [^{F10}December 2017]; and

RI is the retail prices index for March 1982 or the month in which the expenditure was incurred, whichever is the later.

^{F11}(1A)

[^{F12}(1B) The references in subsection (1) to an item of allowable expenditure do not include any item of expenditure incurred on or after 1 January 2018.]

(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.

Textual Amendments

- F10** Words in s. 54(1) substituted (with effect in accordance with s. 26(6)(7) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 26\(3\)\(a\)](#)
- F11** 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\(3\)](#)
- F12** S. 54(1B) inserted (with effect in accordance with s. 26(6)(7) of the amending Act) by [Finance Act 2018 \(c. 3\), s. 26\(3\)\(b\)](#)

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

- (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.

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- (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 [^{F13}no gain/no loss provisions], neither a gain nor a loss accrues (or accrued) to the person making the disposal.
- [^{F14}(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; ^{F15}...
 - [^{F16}(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]
 - (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.
- [^{F17}(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.

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- (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).]

Textual Amendments

- F13** 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](#)
- F14** 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](#)
- F15** 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\(2\)](#)
- F16** 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\(2\)](#)
- F17** 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.

- (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

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make up the relevant allowable expenditure shall be effected before the application of section 54 and, accordingly, in relation to a part disposal—

- (a) 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 ^{F18}... on the part disposal; and
- (b) 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) [^{F19}On a no gain/no loss disposal by any person (“the transferor”)]—

- (a) 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
- (b) 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.

[^{F20}(3) Where apart from this subsection—

- (a) a loss would accrue on the disposal of an asset, and
- (b) 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.]

Textual Amendments

- F18** 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\(8\)](#)
- F19** 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](#))
- F20** 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.

- (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.

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- (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.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act applied by [1997 c. 16 Sch. 12 para. 12\(7\)](#)[1314](#)
- Act applied by [2002 c. 23 Sch. 16 para. 48\(1\)\(2\)](#)
- Act construed as one with reg. 37 by [S.I. 2006/575 reg. 37\(2\)](#)
- Act construed as one with reg. 38 by [S.I. 2006/575 reg. 38\(3\)](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 4(10)(11) inserted by [2016 c. 11 s. 15\(4\)](#)
- s. 4(10) words inserted by [2016 c. 24 s. 83\(11\)](#)
- s. 35(3)(d)(xviii) added by [2008 c. 17 Sch. 7 para. 9](#)
- s. 35(3)(d)(xviii) inserted by [2008 c. 18 Sch. 13 para. 46](#)
- s. 35(3)(d)(xviii) repealed by [S.I. 2008/3002 Sch. 1 para. 42](#)[Sch. 3](#) (This amendment comes into force on the day 2008 c. 4, s. 5 comes into force, see art. 1(2). That provision was brought into force on 1.12.2008 by [S.I. 2008/3068](#), art. 2(1)(b))
- s. 104(4)(b)(i) words substituted by [S.I. 1989/469](#), reg. 27(2) (as amended) by [S.I. 1997/1716 reg. 13\(1\)\(b\)](#)
- s. 107(11) words substituted by [S.I. 1989/469](#), reg. 27(2A) (as amended) by [S.I. 1997/1716 reg. 13\(2\)\(b\)](#)
- s. 169S(4A) inserted by [2015 c. 11 s. 43\(2\)](#)
- s. 587B inserted by [2000 c. 17 s. 43\(1\)](#)
- Sch. 5C para. 3(1) modified by [S.I. 2004/2199 reg. 7\(1\)](#)
- Sch. 5C para. 3(6) modified by [S.I. 2004/2199 reg. 7\(2\)](#)
- Sch. 5C para. 5(1) modified by [S.I. 2004/2199 reg. 7\(3\)](#)
- Sch. 5C para. 3 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 5 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 6 words inserted by [S.I. 2005/3229 reg. 128](#)
- Sch. 5C para. 3(1)(f) words substituted by [2007 c. 3 Sch. 1 para. 347](#)