Delroy and Grant

On 10 January 2022, Delroy made a gift of 25,000 £1 ordinary shares in Dub Ltd, an unquoted trading company, to his son, Grant.

The market value of the shares on that date was £240,000.

Delroy had subscribed for the 25,000 shares in Dub Ltd at par on 1 July 2006.

Delroy and Grant have elected to hold over the gain as a gift of a business asset.

Grant sold the 25,000 shares in Dub Ltd on 18 March 2022 for £240,000.

Dub Ltd has a share capital of 100,000 £1 ordinary shares. Delroy was the sales director of the company from its incorporation on 1 July 2006 until 10 January 2022.

Grant has never been an employee or a director of Dub Ltd. For the tax year 2021-22, Delroy and Grant are both higher rate taxpayers.

They have each made other disposals of assets during the tax year 2021-22, and therefore they have both already utilised their annual exempt amount for this year.

Marlon and Alvita

On 28 March 2022, Marlon sold a residential property for £497,000, which he had owned individually.

The property had been purchased on 22 October 2001 for £152,600.

Throughout the period of ownership, the property was occupied by Marlon and his wife, Alvita, as their main residence.

One-third of the property was always used exclusively for business purposes by the couple.

Entrepreneurs’ relief is not available in respect of this disposal.

For the tax year 2021-22, Marlon is a higher rate taxpayer, but Alvita did not have any taxable income.

This will remain the case for the tax year 2022-23.

Neither of them has made any other disposals of assets during the year.

Question 18: What is Marlon's chargeable gain for the tax year 2021-22?

- £229,600
- £0
- £114,800
- £344,400

Question 19: What is the amount of CGT that could have been saved if Marlon had transferred 50% ownership of the residential property to Alvita prior to its disposal?

- £3,108
- £7,214
- £3,200
- £12,068

Question 20: Why would it have been beneficial if Marlon had delayed the sale of the residential property until 6 April 2021?

- A lower rate of CGT would have been applicable
- Two annual exempt amounts would have been available
- Principal private residence relief would have been greater
- The CGT liability would have been paid later