

## **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 16: What is Grant's capital gains tax (CGT) liability for the tax year 2021-22 in respect of the disposal of the shares in Dub Ltd?**

- A. £43,000
- B. £21,500
- C. £0
- D. £40,780

**Question 17: Which TWO of the following statements would have been true in relation to the CGT implications if Delroy had instead sold the 25,000 shares in Dub Ltd himself for £240,000 on 10 January 2022, and then gifted the cash proceeds to Grant?**

- A. Entrepreneurs' relief would have been available
- B. The CGT liability would have been paid later
- C. The cash gift would not have been a chargeable disposal
- D. The cash gift would have qualified for holdover relief