Introduction

This leaflet sets out the important changes to the due date(s) for payment of Capital Gains Tax for the tax year 2003 and following years, as introduced in Finance Act 2003. The leaflet also gives some general information in relation to Capital Gains Tax and has a computation sheet, which will be helpful for calculating tax due in the more straightforward Capital Gains Tax cases. A more detailed Capital Gains Tax booklet, *Guide to Capital Gains Tax*, is available for viewing on the Revenue website at **www.revenue.ie** or on request from Revenue's Forms and Leaflets Service by phoning Lo-Call 1890 30 67 06 or from any Revenue office.

What is Capital Gains Tax (CGT)?

CGT is a tax on a capital gain arising on the **disposal** of **assets** owned by you. At its simplest, deducting the price you paid for an asset when you acquired it from the sale proceeds when you dispose of it gives you the chargeable capital gain. For example, if you purchased shares in January 2003 at a cost of €5,000 and sold them in August 2003 for €8,000 you will have made a capital gain of €3,000. In this example, assuming you have no other capital gains or losses, the chargeable gain is €3,000 (i.e. €8,000 - €5,000). From this you would deduct the annual personal exemption of €1,270, leaving a taxable gain of €1,730 @ 20%, equal to €346 Capital Gains Tax due.

In calculating the amount of tax payable, deductions are allowable for incidental costs of acquisition, such as solicitor's fees, stamp duty etc. and incidental costs of disposal such as, solicitors/auctioneers fees etc. In addition, where an asset was acquired before 2003, inflation relief may be available, effectively adjusting the cost in line with a published inflation factor. The computation sheet and notes in this leaflet guide you in relation to how these are allowed.

What are Assets/Disposals for CGT Purposes?

Both of these have a very broad meaning for Capital Gains Tax purposes. For example, **assets** not only include outright ownership of an asset, they also include an interest in assets, for example a leasehold interest in land/buildings. They also include intangible assets such as goodwill in a company, or an option over assets. Similarly, a **disposal** refers not only to the sale of an asset, it includes any transfer of ownership by way of exchange, gift or settlement on trustees. In the case of shares in a company or mutual society there is a disposal for Capital Gains Tax purposes where a person receives capital payments in respect of their shareholding/interest held in the paying company.

Where assets pass on death there is no charge to Capital Gains Tax.

Gains on the disposal of some assets are specifically exempted from CGT. These include:

- Gains on Government Loans and Debenture issued by certain Semi-state bodies
- Gains on Life Assurance policies (unless purchased from another person or taken out with certain foreign insurers on or after 20 May 1993)

- Gains from betting, Lotteries, sweepstakes, bonuses payable under the National Instalment Savings Scheme and Prize Bond winnings
- Gains on disposal of wasting chattels (e.g., animals, private motor cars, etc.)
- Gains made by individuals on tangible moveable property where the consideration does not exceed €2,540
- Gains on the disposal of property owned by you (house, apartment, etc.) which was occupied by you or by a dependent relative as a sole or main residence **except** where the sale price reflects development value.

Self-Assessment

CGT is a self-assessment tax and individuals are, in general, obliged to file a return on or before 31 October in the year following the tax year in which the disposal is made. For example, capital gains arising in the calendar year 2003 should be returned on a prescribed form on or before 31 October 2004.

Self-assessment applies to all CGT liabilities for all persons i.e. the self employed and others directly assessed to tax, individuals on PAYE and persons not already within the tax system. Returns and payments of capital gains must be made without being required to do so by Revenue.

Capital gains are normally returned on an individual's income tax return form. A PAYE taxpayer should make a return on a Form 12 and a self-assessed individual should make the return on a Form 11. Trusts and Estates should make the return on a Form 1. Individuals who are not required to make an income tax return, including non-residents, should make their Capital Gains Tax return on a Form CG1. Copies of these Forms are available from any Revenue office or from the Revenue website at **www.revenue.ie**

Rate of CGT

The standard rate of CGT is 20%. Exceptionally, a rate of 40% applies on disposals of certain foreign life assurance policies and units in offshore funds.

Changes to CGT payment date

Prior to the changes for 2003 Capital Gains Tax was, in general, due 10 months after the end of the year of assessment. For example, Capital Gains Tax for the tax year 2002 is due on 31 October 2003. There is no change to this due date.

For 2003 and following years the tax year is divided into two periods for Capital Gains Tax payment purposes:

- "initial period" - 1 January to 30 September
- "later period" - 1 October to 31 December

The tax arising in respect of gains in the "initial period" must be paid on or before 31 October in that year and the tax due on gains in the "later period" is payable on or before 31 January following the end of the year of assessment.

The table below sets out the position for the due dates of 31 October 2003 and 31 January 2004.

Changes to the payment due date does not effect the return filing date i.e. 31 October in the year following the year of assessment.

Due dates for Capital Gains Tax:	
31 October 2003	Payment date for CGT on gains arising in year ended 31 December 2002
	Payment date for CGT on gains arising in **initial period** 2003 (01/01/2003 - 30/09/2003)
31 January 2004	Payment date for CGT on gains arising in **later period** 2003 (01/10/2003 - 31/12/2003)

How do I make a payment of CGT?

For self-assessment customers the Pay and File payslip attached to the 2002 personalised tax return forms (Form 11, Form 11E and Form 1) caters for the payment of Capital Gains Tax for both the year 2002 and the **initial period** 2003**.**

Non self-assessment customers will require a separate Capital Gains Tax payslip for 2002 and the **initial period** 2003, due on 31 October 2003. Both self-assessment and non self-assessment customers will require a separate Capital Gains Tax payslip for the **later period** 2003, due on 31 January 2004. Payslips are available from the Collector-General's office by phoning 1890 20 30 70 or from any Revenue office.

Payment should be made to: Collector-General, Sarsfield House, Francis Street, Limerick.

Further Information

The computation sheet is designed to assist you in calculating CGT in non-complex situations only. It does not deal with some of the more complex issues, such as:

- Disposals under compulsory purchase orders,
- Disposals of development land
- Part-disposals
- Disposals of foreign life policies
- Retirement relief
- Roll-over relief (where applicable)
- Disposals by non-residents
- Disposals of Rights issues / Bonus issues.

More information on these, and CGT in general, is available in the comprehensive 'Guide to Capital Gains Tax' as referred to in the introduction to this leaflet.

This Leaflet is for general guidance only and is necessarily in condensed form. It is not a legal interpretation of the statutory provisions and has no binding force. If it does not have all the information you want, please refer to our website, ***www.revenue.ie****, or contact any Revenue office.*

Notes on Inflation/Indexation Relief Multipliers

If expenditure is incurred in acquiring or enhancing an asset more than 12 months before the date of its disposal, the amount of that expenditure may be adjusted to take account of inflation. No relief due if period of ownership is less than 12 months.

Where a disposal is made on or after 1 January 2003, the indexation relief will only apply for the period of ownership of the asset up to 31 December 2002.

The adjustment is made by multiplying the relevant item of allowable expenditure by a factor, the "multiplier". The multiplier to be applied depends on the year of assessment in which the expenditure was incurred and the year of assessment in which the disposal is made. See chart below.

Year Expenditure Incurred	Capital Gains Tax Multiplier for Disposals in the year ended December	
	2002	**2003**
1974/75	7.180	7.528
1975/76	5.799	6.080
1976/77	4.996	5.238
1977/78	4.283	4.490
1978/79	3.956	4.148
1979/80	3.570	3.742
1980/81	3.091	3.240
1981/82	2.554	2.678
1982/83	2.149	2.253
1983/84	1.911	2.003
1984/85	1.735	1.819
1985/86	1.633	1.713
1986/87	1.562	1.637
1987/88	1.510	1.583
1988/89	1.481	1.553
1989/90	1.434	1.503
1990/91	1.376	1.442
1991/92	1.341	1.406
1992/93	1.294	1.356
1993/94	1.270	1.331
1994/95	1.248	1.309
1995/96	1.218	1.277
1996/97	1.194	1.251
1997/98	1.175	1.232
1998/99	1.156	1.212
1999/00	1.138	1.193
2000/01	1.091	1.144
2001	1.037	1.087
2002	-	1.049

Computation sheet for Disposal of an Asset

Tax year end 31/12/20_ _

Date of Disposal (Date of contract for sale)	
Date of Acquisition (Date of purchase)	

Computation

Disposal Consideration (Note 1)	
Less Incidental Costs of Disposal (if any) (Note 2)	
Net Disposal Consideration	

Deduct Allowable Costs

Cost of Acquisition (Note 3)

€ x Multiplier ( ) =

Enhancement Expenditure (Note 4)

€ x Multiplier ( ) =

Total indexed cost	
Capital Gain/(Loss) after indexation (Note 5) [use brackets ( ) to denote loss]	
Actual Monetary Gain or (Loss) (Note 6) [use brackets ( ) to denote loss]	
Chargeable Gain (Note 7)	
(Allowable Loss) (Note 8)	( )
Unused Losses from previous years (Unused Losses from previous C.G.T. computation)	( )

Calculation of Capital Gains Tax Payable

Total Chargeable Gains net of Allowable Losses	
Less: Personal Exemption (€1,270 - if due) (Note 9)	
Net Chargeable Gains	
Chargeable at 20% Tax Due =	

Notes to Computation Sheet

1. Disposal Consideration

This is the value of the consideration received on disposal, e.g. the sale price in the case of sale at arms length. If the disposal is not made by a bargain at arms length then the consideration is equal to its market value at the time of disposal. Any disposal proceeds received in foreign currency must be converted to Irish currency by reference to the rate of exchange at the time of disposal.

2. Incidental Costs of Disposal

This is expenditure wholly and exclusively incurred by you for the purposes of the disposal, e.g. cost of valuing, advertising and legal expenses.

3. Cost of Acquisition

- If the asset was acquired by way of an inheritance on a death, by way of a gift or on transfer from a trust, it is the market value at the date of death, gift or transfer that is to be used here.
- Incidental costs of acquisition such as legal fees and stamp duty are allowable as part of the cost.
- If the asset was acquired prior to 6 April 1974 the allowable cost to be entered is the market value of the asset at 6 April 1974.
- Where the acquisition was made in foreign currency the costs of acquisition must be converted to Irish currency by reference to the rate of exchange at the time of acquisition.

3(a). Disposal of Shares

Like any other Capital Gains Tax computation, a chargeable gain on the disposal of company shares is arrived at by deducting the cost of the shares (adjusted for inflation as appropriate) from the net consideration received for the disposal of the shares.

The primary rule in respect of a disposal of shares that should be noted, however, is "First In First Out" rule (FIFO). Under this rule a person holding shares of the same class, which have been acquired at different dates, is deemed to have sold the shares acquired at the earlier time first. This rule is modified, however, where shares of the same class are bought and sold within a period of four weeks.

Often, however, there will be increases in the shareholding, either because a person purchases additional shares of the same type or they receive additional shares under bonus or rights issues. There are special Capital Gains Tax rules for these situations and these are covered in the Revenue booklet, **Guide to Capital Gains Tax**, which includes an appendix of worked examples.

3(b). Multiplier

The inflation/indexation relief multiplier for disposals in 2002 and 2003 is set out on page 4 of this leaflet.

4. Enhancement Expenditure

This is the cost of additions to the asset, after the date of acquisition, which adds to the value of the asset and is reflected in the state of the asset at the date of sale. Examples would be the addition of a garage or a conservatory. It does not include routine maintenance such as painting

5. Capital Gain/(Loss) after indexation

Ordinarily the gain as calculated here is the chargeable gain but, in the case of an "indexed" loss or where market value at 6 April 1974 has been used in the computation, the chargeable gain or allowable loss may require to be adjusted by reference to the actual monetary gain or loss. See note on "Chargeable Gain or Allowable Loss".

6. Actual Monetary Gain or Loss

This is the actual gain (or loss) without any allowance for inflation/indexation.

7. & 8. Chargeable Gain or Allowable Loss

(a) If there is a "Capital Gain after indexation" enter it here also, **unless:**

- There is an "Actual Monetary Gain" which is smaller, in which case enter the smaller figure, or
- There is an "Actual Monetary (Loss)" in which case treat the disposal as giving rise to a "no gain/no loss" result.

(b) If there is a "Capital (Loss) after indexation" enter it here also, **unless:**

- There is an "Actual Monetary (Loss)" which is smaller, in which case enter the figure the smaller figure, or
- There is an "Actual Monetary Gain" in which case treat the disposal as giving rise to a "no gain/no loss" result.

9. Personal Exemption

The first €1,270 of an individual's net gains is not chargeable. This personal exemption is not transferable between spouses and applies to individuals only. If there is more than one disposal during the year and the personal exemption has been utilised in full against a previous gain, no further relief is due here.

10. Net Chargeable Gains

This is the final chargeable gains figure net of all allowable costs, indexation reliefs (where applicable), allowable losses, and personal exemption as applicable.

Capital Gains Tax

Revised due dates for 2003 and following years

Revenue