

having the same residence or ordinary residence of the deceased.

A 'chargeable disposal' is not defined in the legislation but any sale or gift amounts to a disposal and it also covers part disposals, so you do not have to lose the interest in all the property to be liable to the tax.

A 'chargeable asset' is defined under **s2(1)** of the **Taxation of Chargeable Gains Act 1992**.

### Task 18

Find the section that identifies the chargeable asset and note the exception listed. Can you think of any other assets that are an exception?

A chargeable gain is the most complex to define. It arises if the 'consideration for disposal' (amount paid) exceeds the 'allowable deductions' provided under the Act. So once you have worked out whether there has been a disposal of a chargeable asset you can work out the gain by applying any exemptions and reliefs.

The consideration for the disposal does not have to be proceeds of a sale. It may be the market value if the asset was given away as a gift, particularly if it was a gift to close family members or business partners.

[**Note:** the exception if it is a gift between spouses – they are a special category and treated as a being with no gain/no loss.]

Once the consideration for disposal is calculated then there are certain types of allowable expenditure that can be deducted from this sum. The allowable expenditure is the total of three categories as set out in **s38(1)** of the Act:

- a. initial expenditure:
  - i. the acquisition cost of the asset or its market value at the time of acquisition if it was a gift; and
  - ii. the incidental costs of the acquisition (e.g. legal and valuation fees, Stamp Duty Land Tax); or
  - iii. the expenditure wholly and exclusively incurred in providing the asset if it was