

Capital Gains Tax on Disposal of Chattels

The term 'chattel' refers to an item of tangible movable property. It would therefore include:

- Items of household furniture
- Paintings, antiques, items of crockery and china, plate and silverware
- Lorries and motorcycles
- Items of plant and machinery not permanently fixed to a building.

It does not apply to:

- Money
- Property used solely or mainly for business purposes, where capital allowances have been, or could have been, claimed
- Property held solely as an investment.

Capital Gains Tax (CGT) Exemptions

- Wasting assets (chattels with a predictable life of 50 years or less), unless used in a business
- Private motor cars
- Coins which are sterling currency
- Deposits or withdrawals from foreign currency bank accounts

Disposal of single chattels

There is no taxable gain if the proceeds do not exceed £6,000 (joint owners each have a £6,000 limit). Where the proceeds exceed £6,000 but are not more than £15,000, use the steps shown below:

EXAMPLE

Antique table - proceeds of sale		£9,250
Original cost	£2,000	
Incidental costs of sale	£350	£2,350

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Actual gain	£6,900
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Now calculate the maximum chargeable gain

Excess proceeds over £6,000 (£9,250 - £6,000)	£3,250
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Multiply this by 5/3	£5,417
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This is the maximum chargeable gain. Compare this with the actual gain, and use the lower figure, which is £5,417.

If the proceeds are more than £15,000 calculate the chargeable gain in the normal way.

Gifts of Chattels

In accordance with normal principles, a gift is treated as a disposal at open market value at the date of the gift, and so it will be advisable to obtain relevant valuations.

Sets of Chattels

A set is a number of chattels that are:

- Similar and complementary to each other, and
- Worth more together than separately

Disposal of assets in a set are treated as separate disposals unless they are sold to the same person or persons who are connected. In such a case the £6,000 limit applies to all of the set collectively and not to each item individually.

Annual Exemption

Even if the disposal proceeds of chattels exceeds the £6,000 exemption level, there may not be any tax to pay because the gain, together with all other gains, may be covered wholly or partially by the CGT annual exemption (£6,000 for 2023/24).

Income Tax

In the normal way, investment in chattels is not usually subject to income tax. However, a sequence of gains on disposal may lead to the conclusion that they are being held for trading purposes rather than investment.

Value Added Tax

Collectors' coins may be liable to VAT at the standard rate. However, coins classified as 'investment gold' are exempt from VAT and do not qualify for inclusion in the VAT second-hand schemes.