



SQE1 · FLK1 & FLK2 · TAX · 2026 - 2027

Capital Gains

Tax for the SQE

The computation, the losses, the reliefs that matter and who pays, with worked examples.

The Ultimate SQE Success Guide.*

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Capital Gains Tax

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Table of Contents

How Capital Gains Tax Is Tested	03
Capital Gains Tax on one page	04
Disposals, Persons and Assets	05
Is there a chargeable gain?	06
Computing the Gain	07
Losses, the allowance and the rate	08
Worked example: an investor	09
Business Asset Disposal Relief	10
Holdover, rollover and incorporation	11
Worked example: selling a business	12
Private Residence Relief	13
Private residence relief, worked	14
Death and the Administration	15
Worked example: an estate	16
Reporting, Paying and Companies	17
Exam Traps & Practice	18
Test yourself	19
Your CGT checklist	20





Every CGT question
is the same five steps,
in the same order.

What is This Guide?

A practical route through **Capital Gains Tax for SQE1**: who pays and on what, a **decision tree** for whether a gain is chargeable, a five-step method for the computation, losses and the annual exempt amount, the rates for **2026 to 2027**, the business reliefs (Business Asset Disposal Relief, holdover, rollover and incorporation), private residence relief, and the rules on death. Three worked examples run every figure.

Who This Guide is For?

- SQE1 candidates sitting FLK1 (Business Law) or FLK2 (Property, Wills) in 2027
- Anyone who knows the reliefs but loses marks in the calculation
- Candidates with no tax background
- Paralegals in corporate, property or private client teams

Why It Matters?

CGT appears in three SQE1 subjects, and the rules changed recently: new rates from 30 October 2024, and Business Asset Disposal Relief at 18% from 6 April 2026. Most wrong options come from a step in the wrong order: losses brought forward used below the allowance, the allowance set against the wrong gain, or the band ignored.

How Capital Gains Tax Is Tested



There is no tax paper. The SRA examines taxation only inside three subjects, and Capital Gains Tax (CGT) appears in all three. A question gives you a client, a sale or a gift, and asks whether there is a gain, how much tax, which relief, or when to pay.

Where (2027 format)	What the specification lists, in short
Business Law and Practice FLK1, session 1	Chargeable persons (sole traders, partners and shareholders); the basis of charge: calculation of gains, allowable deductions, the main reliefs and exemptions ; calculation and collection; the scope of anti-avoidance provisions
Property Law and Practice FLK2, session 2	The basis of charge and Private Residence Relief
Wills and the Administration of Estates FLK2, session 1	The personal representatives' liability to CGT during the administration, and the beneficiaries' liability on inherited assets

Figures: given or remembered?

The specification says that where you must apply the value of an exemption or relief, a rate or a threshold, "these will be provided". It also expects you to remember rates and thresholds that have been part of the tax system "for a considerable period". Our advice: learn the figures on page 04, and when each applies.

Which law, which tax year

The law examined is the law in force four calendar months before the first assessment in the window: **11 September 2026** for January 2027 and **12 March 2027** for July 2027. Both fall in the tax year **2026 to 2027**, so this guide uses the 2026 to 2027 law.

The question format

Single best answer: five options and "only one correct answer". The assessments are closed book. Expect calculations, and options that differ by one step: old rates, the wrong band, losses used in the wrong order.

New since 2024

Main rates of **18% and 24%** from 30 October 2024, with no separate rate for homes. BADR rose to **18%** on 6 April 2026, and incorporation relief must now be claimed (page 11).

Important: individuals pay CGT; companies do not

A company's chargeable gains are charged to corporation tax, not CGT (s 1(2)). This guide is about individuals, partners, personal representatives and trustees; page 17 sets out how companies differ.

Sources: SRA SQE1 Assessment Specification, applicable from 1 September 2026 (updated April 2026), including the FLK lines for Business Law and Practice, Property Law and Practice and Wills; TCGA 1992 s 1. Accessed 21 October 2026.



Capital Gains Tax on One Page

TAX YEAR 2026 TO 2027 · TICK THE BOX WHEN YOU KNOW THE FIGURE AND WHEN IT APPLIES

RULE AND WHEN IT APPLIES	FIGURE	PAGE	DONE
Rates and allowance			
Individuals 18% within the unused basic rate band, 24% above it	18%; 24%	08	☐
Personal representatives; trustees One rate, no bands	24%	08, 15	☐
Annual exempt amount Individuals and PRs; £1,500 for most trusts	£3,000	08	☐
Basic rate band; personal allowance Income tax figures used to split the gains	£37,700; £12,570	08	☐
The computation			
Chattels exemption Gain capped at 5/3 of proceeds over £6,000	£6,000	07	☐
Losses brought forward This year's losses go first, in full	Down to £3,000	08	☐
Claim a loss From the end of the tax year of the disposal	4 years	08	☐
Spouses or civil partners living together The recipient takes over the original cost	No gain, no loss	05	☐
Business reliefs			
Business Asset Disposal Relief Rate from 6 April 2026; lifetime limit	18%; £1 million	10	☐
BADR qualifying period; personal company Shares: officer or employee too	2 years; 5%	10	☐
Rollover relief: reinvest Land, buildings, fixed plant, goodwill	1 year before, 3 after	11	☐
Investors' relief Separate limit; outside investors, shares held 3 years	18%; £1 million	10	☐
Gift holdover; incorporation relief Holdover: joint claim (donor alone to a trust). Incorporation: claim from 6 April 2026	Claim	11	☐
The home and the estate			
Private residence relief: final period 36 months if disabled or in long-term care	9 months	13	☐
Grounds; nominate a main home Nominate within 2 years of a new combination of homes	0.5 ha; 2 years	13	☐
Letting relief Only if the owner shares the home with the tenant	£40,000	13	☐
PRs' annual exempt amount Year of death and the next two	3 tax years	15	☐
Reporting, paying and companies			
UK residential property Report and pay from completion	60 days	17	☐
Other gains After the end of the tax year	31 January	17	☐
Companies: corporation tax Main rate; gains are part of profits	25%	17	☐

Summary only: each rule has conditions on the page shown. Taxation of Chargeable Gains Act 1992 and Finance Acts 2019, 2025 and 2026 on legislation.gov.uk; GOV.UK; checked 21 October 2026.

Disposals, Persons and Assets



CGT is charged on chargeable gains accruing on the **disposal of assets** (s 1). You need three things: a chargeable person, a chargeable asset and a disposal.

Chargeable persons

Individuals, including sole traders and each **partner** on their share of partnership assets; personal representatives; trustees. Companies pay **corporate tax** on gains instead (s 1(2)).

Chargeable assets

All forms of property, unless exempt. Exempt: private **cars** (s 263), **wasting chattels** with a life of 50 years or less, unless used in a business with capital allowances (ss 44, 45), gilts, ISA investments, Premium Bonds and betting winnings (GOV.UK).

Disposals

A sale, a **gift**, an exchange, or getting compensation for an asset (GOV.UK); the entire loss or destruction of an asset (s 24). Death is **not** a disposal (s 62).

Gifts and connected persons: market value

A gift, or any bargain not at arm's length, is treated as made at **market value** (s 17). Deals between connected persons are always treated as not at arm's length (s 18). A person is connected with their spouse or civil partner and the relatives of each: "brother, sister, ancestor or lineal descendant" (s 286), and those relatives' spouses; also with business partners (except on bona fide commercial deals in partnership assets) and a company they control, alone or with connected persons.

The loss rule

A loss on a disposal to a connected person can be set only against gains on disposals to the **same person** (s 18(3)). This stops a family from creating losses on paper.

Spouses and civil partners

A disposal between spouses or civil partners living together is at **no gain, no loss** (s 58). The recipient takes over the original cost. Since 6 April 2023 it continues after separation until the end of the third tax year after the year they stopped living together (or a divorce order, if earlier), and without limit for transfers under a divorce agreement or order (s 58(1C), (1D)).

Anti-avoidance in one line

The scope of anti-avoidance includes market value for gifts and connected persons, the connected-person loss rule, and since 26 November 2025, wider main-purpose tests for share exchanges and reconstructions (Finance Act 2026 ss 36 to 38).

Sources: TCGA 1992 ss 1, 17, 18, 24, 44, 45, 58, 62, 263, 286; Finance Act 2026 ss 36 to 38; GOV.UK, Capital Gains Tax (what you pay it on, gifts) and HMRC CG14530, CG22000. Accessed 21 October 2026.

Is There a Chargeable Gain?

Our method. Run every event in a question through the questions in order. The first YES tells you what happens; reach the end and you have a chargeable gain (or an allowable loss) to compute.



Run it: five events

Event (tax year 2026 to 2027)	Stops at	Treatment
Rob dies owning shares that cost £10,000 and are worth £60,000	1	No CGT; heirs' cost £60,000
Asha gives shares to her husband; they live together	2	No gain, no loss
Ben sells his own car at a profit	3	Exempt
Cara sells the house she has always lived in, on a quarter-acre plot	4	Gain fully relieved
Dev gives his daughter a let flat worth £300,000	5	Gain on £300,000 market value

Our examples, invented names. A gift of a let flat is not a business asset, so gift holdover relief under s 165 is not available.



Computing the Gain

Every computation follows the same five steps. Learn them in this order and write each figure down.

Step	Do this	The rule
1	Gain on each disposal	Proceeds (or market value) less allowable costs: acquisition cost and its incidental costs, enhancement expenditure still reflected in the asset, and the costs of disposal (s 38). Then any relief
2	Deduct this year's losses	In full, even below £3,000 (s 1(3)); page 08
3	Deduct the allowance, then losses brought forward	£3,000 (s 1K(4)); then losses brought forward, only as far as needed
4	Find the band left	The basic rate band (£37,700) less taxable income
5	Apply the rates	18% within the band, 24% above it (s 1H, s 1I)

Allowable

The price paid, and the incidental costs of buying and selling: fees of a valuer, auctioneer, agent or legal adviser, the costs of transfer and conveyance, advertising to find a buyer (s 38(2)). Improvements still reflected in the asset.

Not allowable

Repairs and upkeep that leave no improvement reflected in the asset at disposal (s 38(1)(b)), and anything deductible in computing income for income tax (s 39).

Chattels: the £6,000 rule

Rule	Our example	Result
Sold for £6,000 or less: exempt (s 262(1))	Clock sold for £5,800; cost £1,000	Exempt
Sold for more: gain capped at 5/3 of the proceeds over £6,000 (s 262(2))	Painting sold for £12,000; cost £4,000. Gain £8,000; cap £10,000	Gain £8,000
A loss: proceeds treated as £6,000 (s 262(3))	Vase sold for £3,000; cost £8,000	Loss £2,000

Chattel: tangible movable property. Parts of a set sold to the same or connected people count as one disposal (s 262(4)).

Sources: TCGA 1992 ss 1, 1H, 1I, 1K, 38, 39, 44, 262; GOV.UK, Capital Gains Tax on personal possessions. Accessed 21 October 2026.

Losses

A loss is computed like a gain. It must be **claimed**: notified to HMRC within 4 years of the end of the tax year of the disposal (s 16(2A); GOV.UK).

This year's losses: in full

Set against this year's gains first, even if that takes the gains below £3,000 and wastes the allowance (HMRC CG21500).

Losses brought forward: only down to £3,000

The allowance comes off before them, and they are used only as far as needed to clear what is left (s 1K(4), s 1F(3)). In effect they bring gains down to £3,000. The rest carries forward (CG21500).

The annual exempt amount

£3,000 for individuals in 2026 to 2027 (s 1K(2)); **£1,500** for most trusts (Sch 1C). Unused allowance is lost: it does not carry forward. You may set it against the gains taxed at the **highest rate** (GOV.UK).

The rates for individuals

Add the taxable gains to **taxable income** (income less the personal allowance and reliefs). The part within the basic rate band is taxed at **18%**; the rest at **24%** (s 1H(3), s 1I). These rates apply to all assets, homes included, from 30 October 2024.

GOV.UK's own example, 2026 to 2027	Figure	Working
Taxable income	£20,000	So £17,700 of the £37,700 band is left
Gains less the £3,000 allowance	£49,600	£52,600 – £3,000
CGT	£10,842	£17,700 at 18% + £31,900 at 24%

Run it: three taxpayers (our examples)	Working	CGT
Taxable income £10,000; gains £23,000	£20,000, all within the £27,700 band left, at 18%	£3,600
Taxable income £30,000; gains £13,000	£7,700 at 18% + £2,300 at 24%	£1,938
Taxable income £50,000; gains £13,000	No band left: £10,000 at 24%	£2,400

BADR gains go first: the unused basic rate band is used against gains qualifying for Business Asset Disposal Relief or investors' relief before other gains (s 1I). So a large BADR gain can push a basic rate taxpayer's other gains into 24%.

Sources: TCGA 1992 ss 1, 1F, 1H, 1I, 1K, 16, Sch 1C; HMRC CG21500; GOV.UK, Capital Gains Tax (print version) and Capital Gains Tax rates and allowances. Accessed 21 October 2026.

Worked Example: an Investor

The five steps from page 07. Invented client and figures, tax year 2026 to 2027.

Priya earns a salary of **£40,000**, so her taxable income is £27,430 after the £12,570 personal allowance. In 2026 to 2027 she sells **listed shares** for £60,000 (cost £20,000; buying costs £500; selling costs £600), sells a **painting** for £9,000 that cost £2,000, and makes a **loss of £4,000** on other shares. She has **£10,000 of losses** brought forward from earlier years.

Step	Working	Figure	Why
1	Shares: £60,000 – £600 – £20,000 – £500	£38,900	Costs of buying and selling are allowable
1	Painting: gain £7,000; cap $5/3 \times (£9,000 - £6,000)$	£5,000	Chattel marginal relief: the lower figure
2	Less this year's loss: £43,900 – £4,000	£39,900	Same-year losses always go first
3	Less annual exempt amount	£36,900	£3,000
3	Less losses brought forward: all £10,000	£26,900	Gains are still left, so all can be used
4	Basic rate band left: £37,700 – £27,430	£10,270	Gains sit on top of taxable income
5	$£10,270 \times 18\% + £16,630 \times 24\%$	£5,839.80	$£1,848.60 + £3,991.20$

When she pays

Through Self Assessment: by **31 January 2028**, the 31 January after the end of the tax year. No 60-day return: none of these is UK residential property.

If her salary had been £60,000

Taxable income £47,430: no basic rate band left. All £26,900 at 24% = **£6,456**.

If she had given the shares to her husband first

No gain, no loss on the gift: he takes over her £20,500 cost. His own allowance and any unused basic rate band then apply to his sale.

If the painting had sold for £5,500

Exempt: a chattel sold for £6,000 or less. If it had sold at a loss, the proceeds would be treated as £6,000.

If her losses brought forward had been £40,000

After the allowance, £36,900 is left, so she uses only £36,900 of the losses. No tax, and **£3,100** carries forward.

If she had sold the shares to her brother for £30,000

Connected persons: the gain is worked out on the **£60,000** market value, not the £30,000 price.

Our example. Rules: TCGA 1992 ss 1, 1H, 1I, 1K, 17, 18, 38, 58, 262; HMRC CG21500; GOV.UK Capital Gains Tax and personal possessions pages.

4 Business Asset Disposal Relief



BADR taxes qualifying gains at a lower rate, up to a **£1 million lifetime limit** (s 169N). It suits a sole trader or partner selling the business, and an owner-manager selling company shares.

Disposal	Conditions, all for 2 years up to the disposal or cessation (s 169I)
All or part of a business sole trader or partner	The individual owned the business (or their interest in the partnership) for 2 years. Selling single assets while the business carries on does not qualify, unless the sale is itself a disposal of part of the business, or an associated disposal (ss 169I, 169K)
Assets of a business that has ceased	Owned for 2 years up to cessation, and disposed of within 3 years after it
Shares in a company	A trading company that is the individual's personal company , and the individual is an officer or employee of it (or of a group company)
Personal company (s 169S)	At least 5% of the ordinary share capital and 5% of the voting rights, plus 5% of profits and assets, or of the proceeds on a sale of the whole company

Date of disposal	BADR rate
On or before 5 April 2025	10%
6 April 2025 to 5 April 2026	14%
From 6 April 2026	18%

Claim it

By the first anniversary of the 31 January after the tax year of the disposal (s 169M).

Investors' relief

A cousin of BADR for outside investors in unlisted trading companies: same rates, a separate £1 million limit, shares held 3 years.

Run it: does BADR apply? (our examples)	Answer
A partner of 6 years sells her whole interest in the partnership	Yes
A sole trader sells his van and carries on trading	No: an asset, not the business
A director sells her 30% holding, bought 18 months ago	No: under 2 years
A retired shopkeeper of 10 years sells the shop 2 years after closing	Yes: within 3 years

Sources: TCGA 1992 ss 169H to 169S, 169VC, 169VK; Finance Act 2025 ss 8 to 10; GOV.UK, Business Asset Disposal Relief; HS308 (2026). Accessed 21 October 2026.

Holdover, rollover and incorporation

These three reliefs do not cancel a gain. They **postpone** it by reducing the base cost of another asset, so the tax comes later.

Relief	When	Effect
Gift holdover s 165	A gift (or sale at an undervalue) of business assets: assets used in the donor's trade, or shares in an unlisted trading company or the donor's personal trading company (5% of the votes)	Donor's gain and donee's cost both reduced by the held-over gain. Joint claim by donor and donee (donor alone if the donee is a trust)
Holdover on chargeable transfers s 260	A gift of any asset that is an immediately chargeable transfer for Inheritance Tax, such as into a discretionary trust	As s 165; s 260 takes priority where both apply
Rollover ss 152 to 159	Sale of a qualifying business asset (land and buildings, fixed plant and machinery, goodwill) and reinvestment in another within 12 months before to 3 years after	Gain deducted from the cost of the new asset. Partial reinvestment: the cash kept is taxed (s 153)
Incorporation s 162	Transfer of a business as a going concern, with all its assets (or all but cash), to a company wholly or partly for shares	Gain deducted from the cost of the shares. From 6 April 2026 it must be claimed

Depreciating assets

If the new asset has a life of 60 years or less (such as fixed plant), the gain is not rolled over but **frozen**, for up to 10 years (s 154; GOV.UK).

Holdover and a sale at an undervalue

If the donee pays something, the part of the gain the price covers (proceeds less cost) stays chargeable now; only the rest is held over (GOV.UK).

Incorporation: the new claim

For transfers on or after 6 April 2026, the relief applies only on a claim, by the first anniversary of the 31 January after the tax year; the s 162A election to opt out is gone (FA 2026 s 39; CG65700).

Rollover: claim within 4 years

Of the end of the tax year in which the new asset is bought, or the old one sold if that is later (GOV.UK).

Run it (our examples)	Working	Result
Holdover: a mother gives her son shares in her personal trading company, worth £200,000, cost £50,000	Gain £150,000 held over	Mother: nil now. Son's cost £50,000
Rollover: a trader sells a shop for £500,000 (gain £200,000) and buys a new one for £450,000	£50,000 not reinvested	£50,000 taxed now; £150,000 rolled over; new cost £300,000

Sources: TCGA 1992 ss 152 to 159, 162, 165, 260; Finance Act 2026 s 39; HMRC CG65700, CG65735; GOV.UK, Gift Hold-Over Relief and Business Asset Roll-Over Relief. Accessed 21 October 2026.

Worked Example: Selling a Business

Invented client and figures. Disposals in tax year 2026 to 2027.

Sam has run a joinery business as a **sole trader** for 12 years. On **1 September 2026** he sells the whole business as a going concern. The gains are **£300,000** on goodwill and **£250,000** on the workshop. In the same year he sells **listed shares** at a gain of £20,000. His taxable income is £60,000, so his basic rate band is used up. He has never claimed BADR.

Working	Figure	Why
Business gains: £300,000 + £250,000	£550,000	Disposal of the whole business, owned over 2 years: BADR
Within the £1 million lifetime limit?	Yes	£450,000 of the limit is left
Share gain £20,000 less the £3,000 allowance	£17,000	Set the allowance against the gain taxed at the highest rate
BADR gains: £550,000 × 18%	£99,000	The BADR rate from 6 April 2026
Share gain: £17,000 × 24%	£4,080	Higher rate: no basic rate band left
Total CGT for 2026 to 2027	£103,080	Payable by 31 January 2028

What BADR saved

Without it, £550,000 at 24% would be £132,000: a saving of **£33,000**. For a basic rate taxpayer the rate within the band is 18% anyway, so BADR saves less.

Claim it

BADR must be claimed: by the first anniversary of the 31 January after the tax year (s 169M). For 2026 to 2027, that works out to 31 January 2029.

If he had sold in March 2026

The BADR rate for 2025 to 2026 was **14%**: £550,000 × 14% = £77,000. Check the date of disposal before the rate.

If he had incorporated instead

Transfer the whole business, with all its assets (or all but cash), to a company for shares: the gain is deducted from the cost of the shares (s 162). From 6 April 2026 the relief must be claimed.

If his taxable income had been £20,000

The £17,000 band left goes to the BADR gains first (s 11), so the share gain is still all at 24%: the same **£103,080**.

If he had given the business to his son

Market value applies, but gift holdover relief can defer the gain on the business assets: a joint claim by Sam and his son (s 165).

Our example. Rules: TCGA 1992 ss 1K, 162, 169H to 169N; GOV.UK Business Asset Disposal Relief and Capital Gains Tax pages; HMRC CG65700.

Private Residence Relief



A gain on the disposal of an individual's **only or main residence** is relieved for the periods it was their home (ss 222, 223). Relief is automatic where the home was the main residence throughout.

The house and the grounds

The dwelling-house and garden or grounds up to **0.5 hectare**, or more if needed for the reasonable enjoyment of the house (s 222(1) to (3)).

Two homes

Only one main residence at a time, and one for a married couple or civil partners. Nominate which, within **2 years** of a new combination of homes (s 222(5)).

The final 9 months

Always relieved if the home was the main residence at some time; **36 months** if the owner or their spouse is disabled or in long-term care, and neither of them has another home that could qualify (ss 223, 225E).

Business use; bought for gain

A part used **exclusively** for business loses relief for that part (s 224(1)). No relief if the home was bought wholly or partly to make a gain (s 224(3)).

Absences treated as occupation

Absence	Limit
Any reason	Up to 3 years in all
Working elsewhere in the UK	Up to 4 years in all
Employed abroad	Any length

The owner must live in the home before the absence and after it, unless work stops them returning (s 223(3) to (3B); GOV.UK).

Run it (our examples)	Relief
Lived in it throughout; garden of 0.3 hectare	Full
Worked in Manchester for 3 years, then moved back in	Full: deemed occupation
One room used only as a dental surgery	None for that room
Bought to renovate and sell at a profit	None

Sources: TCGA 1992 ss 222 to 224, 225E; GOV.UK, Tax when you sell your home; HS283 (2026). Accessed 21 October 2026.

Working out partial relief

Where the home was not the main residence throughout, relief is the gain $\times$ (**months of occupation, actual and deemed, plus the final 9**) $\div$ **months of ownership**. Then look at letting relief.

Ann buys a house on **1 April 2012** and lives in it until **31 March 2018**. She then moves in with her partner and lets the whole house until she sells it on **31 March 2027**, at a gain of **£270,000**. She is a higher rate taxpayer with no other gains. Our example, invented figures.

Working	Figure	Why
Ownership	180 months	15 years
Lived there + the final 9 months	$72 + 9 = 81$	She never returned, so no deemed occupation
Relief: £270,000 $\times$ 81/180	£121,500	
Letting relief	nil	She did not live there with the tenant
Gain £148,500 less £3,000, at 24%	£34,920	Report and pay within 60 days

Letting relief, since 6 April 2020

Only where the owner lives in the home **with** the tenant. It is the lowest of the private residence relief given, **£40,000**, and the gain from the letting (s 223B; GOV.UK). Letting the whole house gets none. A single lodger who lives as one of the family does not restrict relief at all (HMRC CG64702).

Ben lives in his house throughout and lets a third of it to tenants who share the home with him; gain £180,000 (our example)	Figure	Why
Private residence relief: two thirds	£120,000	The part he occupied
Gain on the let third	£60,000	
Letting relief: lowest of £120,000, £40,000 and £60,000	£40,000	He shared the home
Chargeable gain	£20,000	Before the annual exempt amount

The PRs' home: PRs who sell the deceased's house can claim private residence relief if it was the main residence, before and after the death, of beneficiaries entitled to at least 75% of the proceeds (HS283).

Sources: TCGA 1992 ss 222, 223, 223B; GOV.UK, Tax when you sell your home; HS283 (2026). HMRC CG64702. The Ann and Ben examples are ours. Accessed 21 October 2026.

Death and the Administration



“There is no CGT charge when someone dies” (HMRC, HS282). Instead the assets are revalued.

The uplift

The PRs acquire the deceased's assets at their **market value at death**, without a disposal (s 62(1)). The value ascertained for Inheritance Tax is the CGT cost (HS282).

Passing assets to beneficiaries

No CGT when the PRs pass an asset to a legatee. The legatee takes it as the PRs acquired it: at **probate value** (s 62(4)).

The PRs' own sales

A sale by the PRs in the administration is their disposal. They pay at **24%** (s 1H(6)) and have the £3,000 annual exempt amount for the tax year of death and the **next two** (s 1K(7)).

The deceased's last year

The deceased is taxed on their own disposals up to death. Losses in the year of death can be set against gains of the **3 tax years before** (s 62(2)).

Variations

A variation or disclaimer of the deceased's dispositions in writing within **2 years** of the death, with a statement that s 62(6) is to apply, is not a disposal: the property is treated as left by the deceased (s 62(6) to (7)).

Who	Cost of the asset	Allowance	Rate
The deceased, to death	What they paid	Their own £3,000	18% or 24%, using their bands
PRs	Market value at death	£3,000 for 3 tax years	24%
Beneficiary	Market value at death	Their own £3,000	18% or 24%, using their bands

Which is cheaper: PRs or beneficiary?

PRs pay 24% on everything over their allowance. A beneficiary uses their own allowance and any unused basic rate band at 18%. The worked example on page 16 runs both.

Sources: TCGA 1992 ss 1H, 1K, 62; HMRC, HS282 Death, personal representatives and legatees (2026); GOV.UK, Capital Gains Tax rates and allowances. Accessed 21 October 2026.

Worked Example: an Estate

Invented client and figures. Death and sales in tax year 2026 to 2027.

Joan dies on **10 June 2026**. She bought listed shares for £15,000; at her death they are worth **£100,000**, the value agreed for Inheritance Tax. Her will leaves the shares to her daughter **Lucy**. In **March 2027** the shares are sold for **£130,000**, with selling costs of £1,000. Lucy's taxable income is £17,430.

At death

Gain of £85,000 built up in Joan's lifetime

No CGT

No CGT on death; cost uplifted to £100,000

Option A: the PRs sell

Working	Figure	Why
£130,000 – £1,000 – £100,000	£29,000	Probate value is the PRs' cost
Less the PRs' annual exempt amount	£26,000	Year of death and the next 2 tax years
£26,000 × 24%	£6,240	PRs pay one rate: no bands

Option B: the PRs pass the shares to Lucy, and she sells

Working	Figure	Why
Passing the shares to Lucy	No CGT	She takes the PRs' cost: £100,000
£130,000 – £1,000 – £100,000, less her £3,000 allowance	£26,000	Her own allowance
Band left: £37,700 – £17,430 = £20,270 at 18%	£3,648.60	Gains sit on top of income
£5,730 × 24%	£1,375.20	
Total	£5,023.80	£1,216.20 less than option A

The lesson

PRs pay 24% on every pound over their allowance. A beneficiary with an unused basic rate band pays 18% on part of the gain, so passing the asset across before a sale can cost less.

If the shares had fallen in value

A loss on a sale by the PRs is theirs, for the estate's gains (ss 1(3), 62(3)); Lucy cannot use it (HS282). Joan's own losses in the year of death can go back 3 years.

The PRs' costs

Besides selling costs, PRs can deduct a share of the cost of establishing title to the estate's assets, using HMRC's published scale (SP2/04) (HS282).

If Lucy had redirected the shares

A variation in writing within 2 years of Joan's death, with the s 62(6) statement, is not a disposal by Lucy: the shares are treated as left by Joan.

Our example. Rules: TCGA 1992 ss 1, 1K, 62; HS282 (2026); GOV.UK Capital Gains Tax rates and allowances.

Reporting, Paying and Companies



Gain	Report and pay
UK residential property, by a UK resident	Return and payment on account within 60 days of completion (Finance Act 2019 Sch 2), unless no tax is due. Then on the Self Assessment return
Other gains	Self Assessment, with tax due by 31 January after the tax year (TMA 1970 s 59B); or HMRC's real time service: report by 31 December, pay by 31 January

Run it: dates for 2026 to 2027 (our examples)	Deadline
Shares sold on 1 September 2026: pay the CGT	31 January 2028
Second home, completion on 10 March 2027: return and payment	Within 60 days: 9 May 2027
BADR or incorporation relief claim on a 2026 to 2027 disposal	31 January 2029
Claim a loss made in 2026 to 2027	Within 4 years: by 5 April 2031

Companies: corporation tax on gains

Charge

A company's chargeable gains are part of its profits, charged to **corporation tax** at the main rate of 25% (TCGA s 1(2), s 2; FA 2025 s 13; FA 2026 s 11).

Indexation

Companies only: an indexation allowance for inflation, frozen at **December 2017** (ss 52A, 53).

No CGT reliefs

No annual exempt amount and no BADR. Rollover relief is available, but not for goodwill bought as an intangible asset.

Which tax? Sole trader, partner or shareholder

Who sells	Tax on the gain
Sole trader	CGT on each business asset; BADR on the business
Partner	CGT on their share of each partnership asset
Shareholder	CGT on the shares; BADR if a personal company
The company	Corporation tax on its own gains

Sources: TCGA 1992 ss 1, 2, 52A, 53, 156ZB; Finance Act 2019 Sch 2; Finance Act 2025 s 13; Finance Act 2026 s 11; TMA 1970 s 59B; GOV.UK, Report and pay your Capital Gains Tax. Accessed 21 October 2026.

Exam Traps

Ten ways a plausible option can be wrong. Check every answer against them.

1. Old rates

Since 30 October 2024: 18% and 24%, with no separate rate for residential property. Options at 10%, 20% or 28% are from older law.

3. Losses in the wrong order

This year's losses come off in full, even below £3,000. Losses brought forward only bring gains down to £3,000.

5. Gifts use market value

A gift, or a deal with a connected person, uses market value, not the price paid. A gift to a spouse living together is the exception.

7. Holdover moves the gain

Gift holdover relief does not cancel the gain. The donee's cost is reduced by it, and they pay when they sell.

9. Death is not a disposal

No CGT on death, and the cost is uplifted to probate value. Do not tax the deceased's lifetime gain.

2. The BADR rate moved

10% to 5 April 2025, 14% in 2025 to 2026, 18% from 6 April 2026. Check the date of disposal.

4. Gains sit on top of income

Use taxable income, after the personal allowance, to find the basic rate band left. Never start the band at zero.

6. The 5% test has two parts

For shares, BADR needs a personal company (5% of shares and votes, plus the economic test) and the seller as an officer or employee, both for 2 years.

8. The last 9 months

Not 18 or 36, unless the owner is disabled or in long-term care. Letting relief now needs shared occupation.

10. Companies do not pay CGT

A company's gains go into its profits for corporation tax. No annual exempt amount and no BADR.

Before you choose, ask three questions

1

Who is disposing: an individual, PRs, trustees or a company?

2

Is there a disposal at all, and at what value: price, market value or no gain, no loss?

3

Which relief, which date and which rate applies to this gain?

Test yourself

Cover the answers and give yourself a minute for each. All names and figures are invented; all disposals are in 2026 to 2027 by individuals in England unless stated.

1 Ada's taxable income is £30,000. She makes a gain of £20,000 on listed shares and has no losses. How much CGT?

Answer. £17,000 after the allowance: $£7,700 \times 18\% + £9,300 \times 24\% = \text{£3,618}$.

2 Ben sells a painting for £8,400. It cost £3,000. What is the chargeable gain?

Answer. Gain £5,400; cap $5/3 \times £2,400 = £4,000$. Chargeable gain **£4,000**.

3 Cal sells an antique table for £4,000. It cost £9,000. What is the allowable loss?

Answer. Proceeds are treated as £6,000: loss **£3,000**.

4 Dina has gains of £10,000, losses of £9,000 this year and £5,000 brought forward. What does she carry forward?

Answer. Net gains £1,000: under the allowance, so no tax and no brought-forward loss used. She carries forward **£5,000**.

5 Eli gives shares that cost £10,000, now worth £50,000, to his wife. They live together. What is his gain, and her cost?

Answer. No gain, no loss: **no gain** for Eli; her cost is **£10,000**.

6 Fay gives her son listed shares worth £50,000 that cost £20,000. She holds 0.1% and does not work for the company. Can she hold the gain over?

Answer. No. Listed shares qualify only in a personal company. Market value applies: a gain of £30,000.

7 Gail, a director owning 10% of a trading company for 5 years, sells her shares at a gain of £400,000. Higher rate taxpayer, no other gains.

Answer. BADR: $(£400,000 - £3,000) \times 18\% = \text{£71,460}$.

8 Same facts, but Gail owns 4% of the shares.

Answer. No BADR: under 5%. $£397,000 \times 24\% = \text{£95,280}$.

9 Hal sells a warehouse used in his trade on 1 May 2026. Within what period must he buy a replacement for rollover relief?

Answer. From **1 May 2025 to 1 May 2029**: one year before to 3 years after.

10 Isla lived in her house for 4 years, then let all of it for 6 years and sold it. Never lived there again. Fraction relieved?

Answer. 48 months + the last 9 = 57 of 120 months: **57/120**. No letting relief.

11 Jack's mother bought shares for £5,000; worth £80,000 at her death. Jack inherits them and sells for £85,000. His gain?

Answer. His cost is the value at death: gain **£5,000**. No CGT on the death.

12 Kim sells her UK holiday cottage at a gain; completion is on 10 March 2027. When must she report and pay?

Answer. Within **60 days** of completion: by 9 May 2027, on a UK property return.

Your Capital Gains Tax Checklist

Tick a line only when you can do it from blank paper, with the figures, in under two minutes.

Scope

- ☐ I know who pays CGT, and that companies pay corporation tax instead (pages 05 and 17)
- ☐ I can spot a disposal, an exempt asset and the market value rules (pages 05 and 06)

The computation

- ☐ I can run the five steps from blank paper (page 07)
- ☐ I can apply the chattels rules and the marginal relief (page 07)
- ☐ I can use losses in the right order and the annual exempt amount (page 08)
- ☐ I can split gains between 18% and 24% using the basic rate band (pages 08 and 09)

Business reliefs

- ☐ I know the BADR conditions, the £1 million limit and the rates by date (page 10)
- ☐ I can apply holdover, rollover and incorporation relief (pages 11 and 12)

The home and the estate

- ☐ I can work out private residence relief with deemed occupation (pages 13 and 14)
- ☐ I know the rules for PRs and beneficiaries (pages 15 and 16)

On the day

- ☐ I know the reporting and payment deadlines (page 17)
- ☐ I ask the three questions before choosing an answer (page 18)
- ☐ I have scored twelve out of twelve on the self-test, under time (page 19)

Make the method automatic

STEP 1

Learn the map

The one-page table on page 04: cover the figure column and test yourself.

STEP 3

Work on paper

Rework the examples on pages 09, 12 and 16 from blank paper, step by step.

STEP 5

Build exam pace

Full-length SQE1 mocks in the 2027 format (2 x 85 questions).

STEP 2

Find the disposal

Run the decision tree on page 06 for every event in a question, before any arithmetic.

STEP 4

Test yourself

The twelve questions on page 19, then the traps on page 18.

STEP 6

Questions?

Email support@fqps.co.uk and a person will answer.

FQPS Academy. Full-length SQE1 mocks in the 2027 format (2 x 85 questions).

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Tax rewards little and often. Cover the figure column on page 04 each morning, and rework one example from blank paper each day: the gain, then losses, the allowance, the bands and the rate.



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