

# Capital Gains Tax Explained

A clear guide to when Capital Gains Tax applies, the rates and exemptions, and practical ways to keep your bill down.

Tax year **2025/26** · Reviewed by **Kiran Boparai** · Last reviewed **6 June 2026** · Sources: gov.uk

## CGT RATES

**18% · 24%**

## CGT EXEMPT AMOUNT

**£3,000**

## BASIC-RATE BAND

**£37,700**

### 01 What Capital Gains Tax is

Capital Gains Tax (CGT) is charged on the profit you make when you sell or dispose of an asset that has risen in value. It's the gain that's taxed, not the total amount you receive.

**i** You only pay CGT on the profit above your tax-free allowance.

### 02 The annual exempt amount

Everyone has a tax-free allowance for capital gains each year before any tax is due.

- The annual exempt amount is £3,000 for 2025/26
- Gains below this in the tax year are tax-free
- Unused allowance can't be carried forward to a later year

**i** Spouses and civil partners each get their own £3,000 allowance.

### 03 The rates

Your CGT rate depends on the type of asset and how much of your basic-rate band is left.

- Residential property: 18% within the basic-rate band, 24% above it
- Other assets: 18% / 24% on the same basis (since 30 October 2024)
- Business Asset Disposal Relief: 14% for 2025/26 on up to a £1m lifetime limit

**i** Gains stack on top of income, so they can push part of a gain into the higher rate.

### 04 What's taxed and what's exempt

Many everyday disposals are free of CGT thanks to specific reliefs and exemptions.

- Your main home is usually exempt via Private Residence Relief
- Investments held in an ISA are exempt
- Second homes, buy-to-lets and most shares outside an ISA are taxable

**i** Transfers between spouses and civil partners are normally made with no immediate CGT.

### 05 The 60-day reporting rule

Selling UK residential property that produces a taxable gain triggers a tight reporting deadline.

- Report the gain and pay the tax within 60 days of completion
- This is done through a separate HMRC online return
- The gain still appears on your annual Self Assessment too

**i** Missing the 60-day deadline can lead to penalties and interest, even if you later file on time.

### 06 How to reduce your bill

A little planning around timing and ownership can make a real difference to the CGT you pay.

- Use both spouses' £3,000 allowances by transferring assets before sale
- Time disposals across tax years to use two annual allowances
- Offset losses against gains in the same year

**i** Spreading disposals and sharing ownership are simple, legitimate ways to make full use of allowances.

## Common questions

### Do I pay CGT when I sell my home?

Usually not, because your only or main residence is normally covered by Private Residence Relief.

### How quickly must I report a property gain?

Taxable gains on UK residential property must be reported and paid within 60 days of completion.

### Can I use my spouse's allowance?

You can transfer assets to a spouse or civil partner before sale so both £3,000 allowances are used, with no CGT on the transfer itself.

#### NEXT STEP

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