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## SCHEDULES.

### SCHEDULE 6

#### CAPITAL GAINS: COMPUTATION.

#### PART II

#### ASSETS HELD ON 6TH APRIL 1965.

*Apportionment by reference to straightline growth of gain or loss over period of ownership.*

- 24 (1) This paragraph applies subject to the provisions of the last foregoing two paragraphs.
- (2) On the disposal of assets by a person whose period of ownership began before 6th April 1965 only so much of any gain accruing on the disposal as is under this paragraph to be apportioned to the period beginning with 6th April 1965 shall be a chargeable gain.
- (3) Subject to the following provisions of this Schedule, the gain shall be assumed to have grown at a uniform rate from nothing at the beginning of the period of ownership to its full amount at the time of the disposal so that, calling the part of that period before 6th April 1965 P, and the time beginning with 6th April 1965 and ending with the time of the disposal T, the fraction of the gain which is a chargeable gain is

$$\frac{T}{P + T}$$

- (4) If any of the expenditure which is allowable as a deduction in the computation under this Schedule of the gain is within paragraph 4(1)(b) of this Schedule—
- (a) the gain shall be attributed to the expenditure, if any, allowable under paragraph (a) of the said paragraph 4(1) as one item of expenditure, and to the respective items of expenditure under the said paragraph 4(1)(b) in proportion to the respective amounts of those items of expenditure,
- (b) sub-paragraph (3) of this paragraph shall apply to the part of the gain attributed to the expenditure under the said paragraph 4(1)(c),
- (c) each part of the gain attributed to the items of expenditure under the said paragraph 4(1)(b) shall be assumed to have grown at a uniform rate from nothing at the time when the relevant item of expenditure was first reflected in the value of the asset to the full amount of that part of the gain at the time of the disposal,

so that, calling the respective proportions of the gain E(f), E(1), E(2) and so on (so that they add up to unity) and calling the respective periods from the times when the items under the said paragraph 4(1)(b) were reflected in the value of the asset to 5th April 1965 P(1), P(2) and so on, and employing also the abbreviations in sub-paragraph (3) above, the fraction of the gain which is a chargeable gain is

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$$E(0) \frac{T}{P+T} + E(1) \frac{T}{P(1)+T} + E(2) \frac{T}{P(2)+T}$$

and so on.

- (5) In a case within sub-paragraph (4) above where there is no initial expenditure (that is no expenditure under paragraph 4(1)(a) of this Schedule) or that initial expenditure is, compared with any item of expenditure under paragraph 4(1)(b), disproportionately small having regard to the value of the asset immediately before the subsequent item of expenditure was incurred, the part of the gain which is not attributable to the enhancement of the value of the asset due to any item of expenditure under the said paragraph 4(1)(b) shall be deemed to be attributed to expenditure incurred at the beginning of the period of ownership and allowable under paragraph 4(1)(a), and the part or parts of the gain attributable to expenditure under paragraph 4(1)(b) shall be reduced accordingly.
- (6) The beginning of the period over which a gain, or a part of a gain, is, under sub-paragraphs (3) and (4) above, to be treated as growing shall not be earlier than 6th April 1945, and this sub-paragraph shall have effect notwithstanding any provision in this Schedule or elsewhere in this Part of this Act.
- (7) If in pursuance of paragraph 7 in Part I of this Schedule an asset's market value at a date before 6th April 1965 is to be ascertained sub-paragraphs (3) to (5) above shall have effect as if that asset had been on that date sold by the owner, and immediately re-acquired by him, at that market value.
- (8) If in pursuance of the said paragraph 7 an asset's market value at a date on or after 6th April 1965 is to be ascertained sub-paragraphs (3) to (5) above shall have effect as if—
- (a) the asset on that date had been sold by the owner, and immediately re-acquired by him, at that market value, and
  - (b) accordingly, the computation of any gain on a subsequent disposal of that asset shall be computed—
    - (i) by apportioning in accordance with this paragraph the gain or loss over a period ending on the said date (the date of the part disposal), and
    - (ii) by bringing into account the entire gain or loss over the period from the date of the part disposal to the date of subsequent disposal.
- (9) For the purposes of this paragraph the period of ownership of an asset shall, where under paragraph 8 of this Schedule account is to be taken of expenditure in respect of an asset from which the asset disposed of was derived, or where it would so apply if there were any relevant expenditure in respect of that other asset, include the period of ownership of that other asset.
- (10) If under this paragraph part only of a gain is a chargeable gain, the fraction in section 29(3) of this Act shall be applied to that part, instead of to the whole of the gain.