
EXPLANATORY NOTE

(This note is not part of the Order)

This Order specifies £6,500 as the amount which, under section 3 of the Taxation of Chargeable Gains Act 1992 (“section 3” and “the 1992 Act” respectively), is the exempt amount for the year 1997 – 98 unless Parliament otherwise determines.

By virtue of the Capital Gains Tax (Annual Exempt Amount) Order 1995 (S.I. 1995/3033) the exempt amount for the year 1996 – 97 was specified as £6,300. The amount of £6,500 is the amount for 1996 – 97 increased by the amount of the percentage increase in the retail prices index for September 1996 over that for September 1995, and rounded up to the nearest £100 in accordance with section 3(3) (as amended by section 83 of the Finance Act 1993).

Under section 288(2) of the 1992 Act, “retail prices index” has the same meaning as in the Income Tax Acts; and “retail prices index” is defined in section 833(2) of the Income and Corporation Taxes Act 1988 (c. 1), as amended by paragraph 5 of Schedule 2 to the Transfer of Functions (Economic Statistics) Order 1989 (S.I. 1989/992), as the “general index of retail prices (for all items) published by the Central Statistical Office of the Chancellor of the Exchequer”. (The Central Statistical Office is now known as the Office for National Statistics.) The retail prices index for September 1995 is 150.6 and for September 1996 153.8 (based on January 1987 as 100) (see Table 3.1 on page T26 of the October 1996 issue (No. 516) of *Economic Trends*, a publication of the Government Statistical Service).

The exempt amount has several applications for capital gains tax. Under section 3(1) an individual’s gains for a year of assessment are chargeable to tax only to the extent that they exceed the exempt amount; and under section 3(6) an individual may, if appropriate, and unless an inspector otherwise requires, satisfy his obligation to make a return of chargeable gains by stating that his gains do not exceed the exempt amount for the year, and that the proceeds of his disposals for the year do not exceed an amount equal to twice the exempt amount.

Schedule 1 to the 1992 Act (“Schedule 1”) provides for section 3(1) to apply, subject to detailed rules, to trustees of settlements for mentally disabled persons or persons in receipt of attendance allowance or of a disability living allowance; and, as to one half of the exempt amount, to trustees of other settlements. Schedule 1 also provides for section 3(6) to apply to trustees, subject to detailed rules and to modifications. By virtue of section 3(7), section 3(1) and section 3(6) also apply, in certain circumstances, to personal representatives.