

Capital Gains Tax Guidance Notes for UK people

PA people can invest in PA Share Units (B Ordinary and Preference shares) during the Jacobs investment cycle which commenced in March 2021. The Share Unit price increased by 30% between March 2021 and March 2023. These notes provide guidance for employees who own shares in PA to understand the Capital Gains Tax ('CGT') implications when selling their Share Units (and for Partners for selling C shares). Reporting share sales and any gains you make is a personal tax return obligation. PA does not deduct any taxes from share sales and does not report any sales to HMRC.

Note if you were a PA shareholder at the time of the Jacob's investment in March 2021, you can find the CGT notes in relation to the that transaction [here](#). This is important to know the 'base cost' of the PA shares you acquired in March 2021.

These below notes are to help you report sales of PA shares April 2021 onwards.

Understanding CGT

CGT is a tax due on profit made from the sale of certain assets, including PA shares. You may be subject to CGT when you sell your shares. The tax is calculated on the profit your made on the sale. Currently CGT has a maximum tax rate of 20% tax which is of course far better than paying income tax and social security rates on your income.

In simple terms it works like this:

Sale proceeds	Purchase cost	Gain	Annual exemption	Taxable amount	Tax payable at 20%
£46,300	£20,000	£36,300	-£6,300	£20,000	£4,000

Your purchase cost (or 'base cost')

When you purchase PA shares this is always made from after-tax monies (any bonus monies for shares are first taxed as income through payroll before the after-tax value buys shares). As a result, there is no tax consequence when you buy shares. You are only subject to CGT when you sell the shares at a profit.

The purchase cost of the shares is the price you paid to acquire them, including any stamp duty you may have paid. Stamp duty is a separate tax on all share purchases of more than £1,000 value. It is calculated as 0.5% of the purchase cost rounded up to £5. For example:

Purchase cost	Stamp duty
£10,000	x 0.5% = £50
In this example your total purchase cost to be deducted from future sale proceeds is £10,050.	

While you are personally responsible to keep your own records of purchase cost, we help with our [share history report](#) which shows all of your PA share transactions including purchase cost since March 2021.

Calculating Capital Gains

To calculate your capital gain, subtract your total purchase cost from the sale proceeds received in the tax year. To help you, we provide an excel [CGT calculator](#) to help you calculate your gains on any PA shares you have sold.

Annual Exempt Amount

Each tax year, individuals are entitled to an annual exempt amount, which represent the tax-free allowance for capital gains. If your capital gain for the tax year is below this threshold, you will not be liable to pay any CGT. You may still need to report the sale in a tax return.

The annual exemption amounts are:

2021/22/and 2022/23 Tax Years	£ 12,300
2023/24 Tax Year	£ 6,000
2024/25 Tax Year and onwards	£ 3,000

This simply means you don't pay any tax on your gains (from PA share sale and other gains you may have) that fall within the annual exemption amounts.

When you need to report your gains to HMRC:

If you have sold PA shares during the tax year you must report and submit a tax return to HMRC in the following situations:

- Your total capital gains exceed the annual exempt amount for that tax year; **or**
- Your sale proceeds are 4 times the annual exempt amount, regardless of whether your gain is covered by your annual exempt amount.

Here is an overview of the process of reporting your gains to HMRC.

1. Register for Self-Assessment; if you are not already registered for Self-Assessment, you must do so by 5th October following the end of the tax year in which you disposed of your shares. [Register online on HMRC's website](#)
2. Complete the Capital Gains Section: When completing your Self-Assessment tax return, ensure you complete the Capital Gains section (SA108). The reporting section has many fields. For PA shares you only need to provide the total sale proceeds, the allowable purchase cost and the resulting gain. You must also upload as an attachment a summary stating the number and dates of your sales and how the gain is calculated.
3. Submitting your Tax Return: The deadline for submitting and payment of any tax due is 31st January following the end of the tax year in which you disposed of your shares. Any taxes due (worked out on your total income and gains) must be paid over by 31 January to avoid any late payment fine.

The notes are purely provided for guidance purposes. We always recommend seeking advice from a qualified adviser if you are unclear on anything.