



Capital Gains Tax

A guide to understanding
the ways to manage it



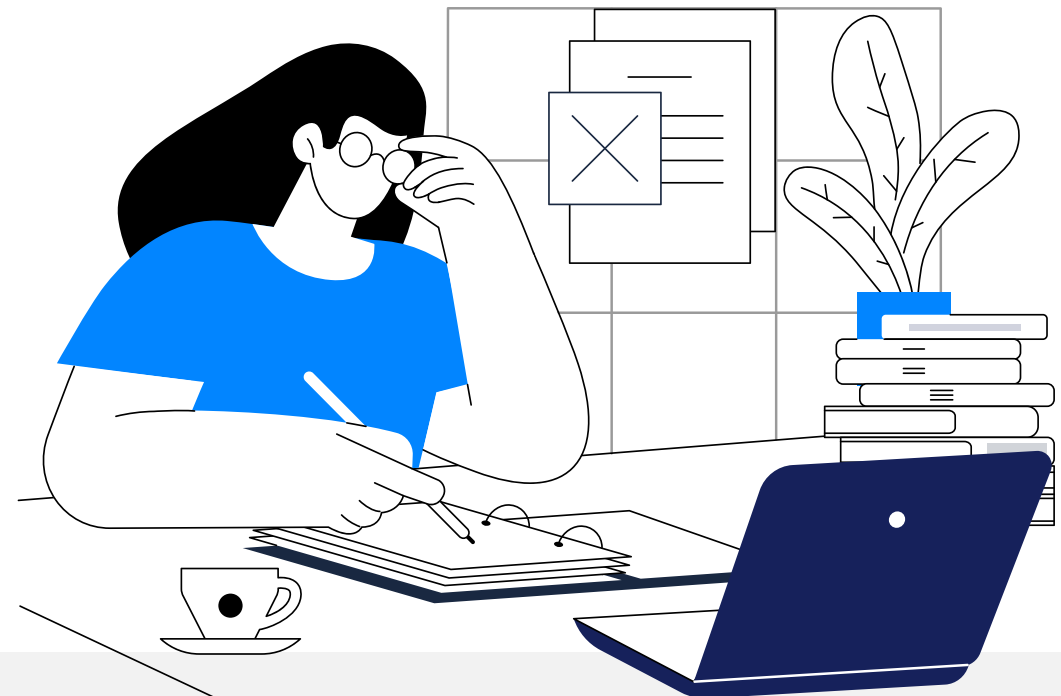
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Introduction

Capital Gains Tax on the sale or disposal of shares

Capital Gains Tax (CGT) in the UK is a tax on the gain you make when you sell or dispose of an asset that has increased in value. If you're planning to sell shares acquired through a share plan, you may want to understand how CGT applies and explore ways to manage your tax liability. Here's a high-level overview:

- ◆ CGT on shares: When you sell shares acquired through a share plan, you may realise a capital gain if the sale price is more than the price you paid for the shares or acquired them at.
- ◆ Tax-free allowance: Each individual has an annual CGT tax-free allowance (**£3,000 for the 2026-27 tax year**). Gains up to this threshold are tax-free.
- ◆ Tax rates: Any gain above this allowance amount is taxed at the following rates (for the tax year 2026/2027):
 - ◆ 18% for basic-rate taxpayers
 - ◆ 24% for higher and additional-rate taxpayers



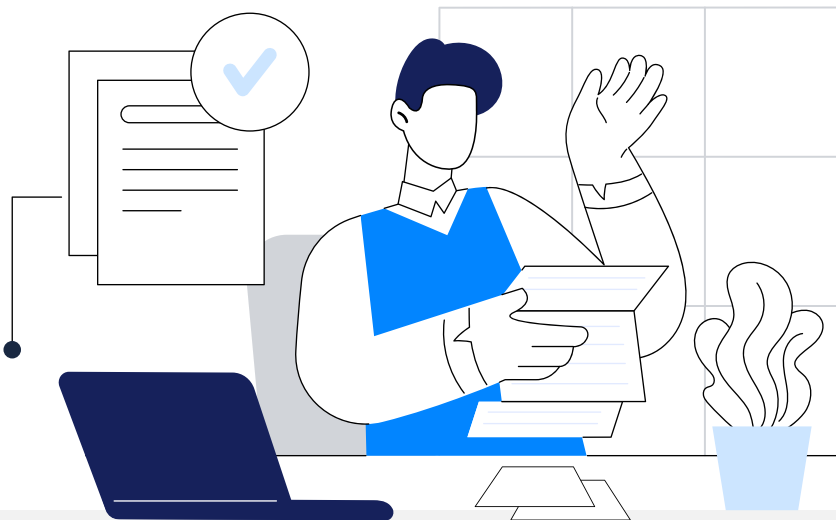
What tax planning is

How to protect your gain

Tax planning is a crucial part of managing finances efficiently. It involves making use of allowances, reliefs, and exemptions provided by HMRC to lawfully manage your tax liabilities. The key aspect of tax planning is to ensure compliance with current tax legislation while making informed decisions about how and when you carry out financial transactions.

Tax planning versus Tax avoidance

It's important to distinguish tax planning from tax avoidance. Tax planning leverages government incentives and rules to manage the amount of tax you owe. It's a proactive and transparent approach using legitimate actions recognised by HMRC. In contrast, tax avoidance involves exploiting the tax system through artificial or contrived arrangements with the primary purpose of reducing tax. HMRC actively seeks to close such loopholes and can impose penalties on tax avoidance schemes.



Tax planning in summary

Tax planning is about making proactive decisions based on existing rules rather than reacting to potential tax burdens. Here are the main ones:

- ◆ Utilise the annual allowance
- ◆ Spouse transfers
- ◆ Transfer to a stocks & shares ISA
- ◆ Gifting shares to family members
- ◆ Gift shares as a charitable donation

By understanding and using these strategies, you can optimise your tax position responsibly. This approach isn't about avoiding paying your fair share – it's about putting in place strategies to manage your taxes. Tax planning, when done correctly, allows you to put in place arrangements which may maximise your financial potential by understanding the various avenues available to help you manage your taxes.

Tax planning in detail

Let's now take a look at each of these options in more detail:

1. Utilising the Annual CGT allowance

What it is

Each tax year, individuals have a CGT annual allowance (£3,000 for the 2026-27 tax year). Any gains within this limit are not subject to tax. Using this allowance wisely may reduce your overall tax liability on share sales.

How to use it

If you have shares to sell and the gain you'll likely make is over the annual allowance for the tax year, consider selling the shares in phases over more than a single tax year. This allows you to utilise your annual CGT allowance each year, potentially minimising the taxable gains.

Sell a portion of shares up to the annual CGT allowance each tax year. If selling immediately would result in a gain exceeding the allowance, splitting the sales across multiple years can keep you within the tax-free threshold. So for example, sell some in the 2026-27 tax year and then sell more in the 2027-28 tax year.

For more on how to apply the annual CGT allowance, visit the [HMRC guidance on CGT allowances](#).

2. Spouse transfers

What it is

Transfers between spouses or civil partners are not treated as giving rise to a gain (or loss) for CGT purpose for the person transferring the shares. This means you can gift shares to your spouse or civil partner (provided you are considered to be living together) without any immediate tax implications on such transfer. Your spouse or civil partner can then sell the shares, paying CGT on the overall gain (ie being any increase in the value of the shares whilst you held them and any subsequent increase in value) and utilise their own annual CGT allowance.

How to use it

If you have a taxable gain exceeding your CGT allowance, transferring some shares to your spouse or civil partner allows them to use their own annual allowance and/or if they are a basic-rate taxpayer, potentially reducing any CGT they pay above their annual allowance to 18%.

For details on gifting between spouses and civil partners, refer to HMRC's guidance on transferring assets.



Tax planning in detail

Continued...

3. Transfer to a stocks & shares ISA

What it is

ISAs are government-backed savings schemes designed to encourage investment. Using an ISA for shares provides a tax-free wrapper for any future capital gains, interest, or dividends if they are paid.

How to use it with share plans:

If you acquire shares from an HMRC tax-advantaged Share Plan such as an SAYE, you may be able to transfer them directly into an ISA within 90 days, using your ISA allowance for that tax year. Once inside the ISA, all future gains will be tax-free.

Before you transfer the shares, you should check with your ISA provider that they support transfers from share plans. The shares' market value must fit within your remaining ISA allowance for that tax year and once they have been transferred, the shares cannot be moved back out of the ISA.

4. Gifting shares to family members

What it is

Gifting shares to family members other than your spouse or civil partner is treated as a disposal for CGT purposes. This means the market value at the time of the gift is used to calculate your CGT liability. However, if the recipient is in a lower tax bracket or has unused CGT allowance, future sales could attract lower CGT rates, so it can be a part of broader financial planning.

How to use it

If you gift shares, you may still be subject to CGT on those shares when you gift them to the extent they have increased value more than your annual allowance. However, if you gift shares to an individual in a lower tax bracket, they may pay CGT at the basic rate on future gains and utilise their own annual allowance. Ensure that the recipient understands the potential tax implications of holding and later selling the shares.

Review the rules on gifting shares in HMRC's [Capital Gains Tax guidance](#).

5. Charitable donations

What it is

Donating shares to a HMRC-recognised charity is not treated as giving rise to a gain (or loss) for capital gains tax purpose for the person transferring the shares. It also is not treated as giving rise to a gain (or loss) for capital gains tax purpose for the person transferring the shares. It also allows you to receive Income Tax relief on the donation's value. This strategy aligns with HMRC's provisions for supporting charities while managing personal finances responsibly.

How to use it

If you donate shares to a HMRC-recognised charity, you can claim Income Tax relief on the market value of the shares, and no CGT is due on any increase in value since you acquired them. Ensure the charity is recognised by HMRC as a registered charity to qualify for these reliefs.

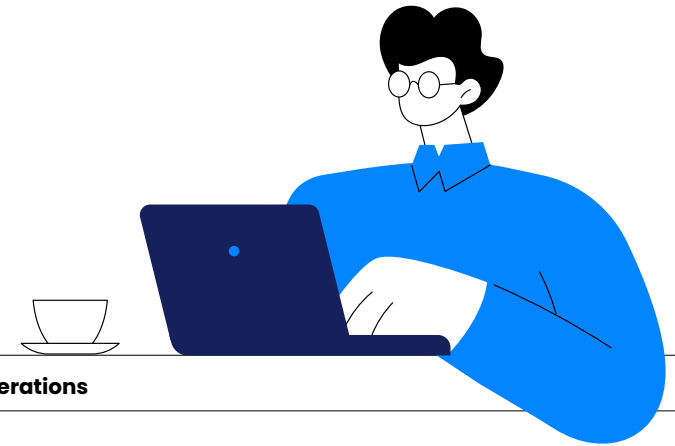
To learn more about the [benefits of ISAs](#) or [giving to charity](#), click on the links to read HMRC guidance.



Using the strategies

Some pros and cons of each of the tax planning strategies

When considering tax planning strategies, it's important to weigh the benefits against potential drawbacks and the risks involved in timing market conditions. This is of course always subject to your personal circumstances and we're all different – but here are some of the pros and cons for each strategy, along with key considerations to bear in mind:



Strategy	Pros and Cons	Key considerations
1. Utilising the Annual CGT Allowance	<p>Pros:</p> <ul style="list-style-type: none">◆ Tax Efficiency: By staying within the annual CGT allowance, you maximise utilising your tax free allowance.◆ Flexibility: You can sell shares gradually over multiple years, helping you to manage and plan your finances more effectively. <p>Cons:</p> <ul style="list-style-type: none">◆ Market volatility: The strategy requires spreading share sales over time. However, share prices fluctuate, and waiting for the next tax year could result in a drop in the share price, potentially reducing (or eliminating) your total gain..◆ Administrative burden: Staggered sales require careful tracking and record-keeping to ensure compliance with tax reporting requirements.	<p>Market Timing: Before deciding to spread sales over tax years, consider the potential for share price changes. For example, if the share price drops in the new tax year, the loss in value might outweigh the tax saved by using the annual allowance.</p> <p>Tax Rate Changes: Be aware of any potential changes to CGT rates in the new tax year. Future government budget announcements may impact the tax rates and allowances.</p>

Using the strategies

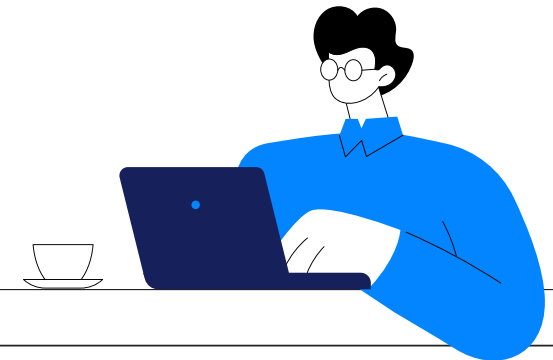
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Strategy	Pros and Cons	Key considerations
2. Spouse or civil partner transfers	<p>Pros:</p> <ul style="list-style-type: none">◆ Double the CGT allowance: By transferring shares to your spouse or civil partner, you can utilise both individuals' CGT allowances, effectively doubling the amount of tax-free gains.◆ Potential for lower tax rate: If your spouse is in a lower Income Tax bracket, their CGT rate on the sale may be lower for any gains above the annual allowance (18% for basic rate taxpayers versus 24% for higher or additional rate taxpayers). <p>Cons:</p> <ul style="list-style-type: none">◆ Loss of control: Once shares are transferred, your spouse or civil partner has full ownership and control over the asset. If you need to access the funds, you would have to rely on their cooperation.◆ Reporting requirements: Transferring and selling shares may increase the complexity of both partners' tax reporting requirements.	<p>Long-term planning: Ensure both partners are aligned on the strategy, as this approach may affect future financial planning, investment strategies, and tax reporting.</p> <p>Potential tax implications: Remember that the spouse or civil partner receiving the shares is now responsible for the CGT on any future gain together with any gain in value during your ownership of the shares.</p> <p>Your acquisition cost for the shares is treated as being their acquisition cost for the purposes of calculating the gain.</p>

Using the strategies

Continued...



Strategy	Pros and Cons	Key considerations
3. Transfer to a stocks & shares ISA	<p>Pros:</p> <ul style="list-style-type: none">◆ Tax-free growth: Any gains, interest, or dividends within an ISA are completely tax-free, eliminating CGT on any future gain on the shares and Income Tax on any dividends.◆ No future reporting: Investments within an ISA do not need to be reported to HMRC, simplifying your tax affairs. <p>Cons:</p> <ul style="list-style-type: none">◆ Annual ISA limits: The annual ISA contribution limit (£20,000 for the 2026/27 tax year) may restrict the number of shares you can put into the ISA each tax year.◆ Market timing: Selling shares from the ISA could expose you to market risks if share prices fluctuate significantly in the interim.	<p>Investment options: When selling shares from an ISA, consider market conditions and potential transaction costs.</p> <p>Timing: Shares from an SAYE can be transferred into an ISA subject to limits, within 90 days of receiving them.</p>

Using the strategies

Continued...



Strategy	Pros and Cons	Key considerations
4. Gifting shares to family members	<p>Pros:</p> <ul style="list-style-type: none">◆ Potential lower tax bill: If the recipient is in a lower tax bracket or has unused CGT allowances, the overall CGT applying upon sale of the shares in the future could be reduced.◆ Family wealth transfer: This approach can be part of a longer-term wealth transfer strategy, potentially benefiting younger family members. <p>Cons:</p> <ul style="list-style-type: none">◆ Immediate CGT on market value: The gift is treated as a disposal at market value, so you may incur an immediate CGT liability based on any gain up to the point of gifting.◆ Loss of control: Once shares are gifted, you no longer have control over them.	<p>Recipient's financial status: Ensure the recipient understands the potential tax implications and is prepared to handle any future sales responsibly.</p> <p>Family agreements: Clear communication and agreements can help manage expectations and avoid future conflicts. Consideration should also be given to any broader Inheritance Tax implications of transferring assets.</p>

Using the strategies

Continued...



Strategy	Pros and Cons	Key considerations
5. Charitable donations	<p>Pros:</p> <ul style="list-style-type: none">◆ Tax relief: Donating shares to a registered UK charity provides Income Tax relief on the market value of the shares and exempts you from CGT.◆ Social impact: This strategy allows you to support charitable causes while achieving tax efficiency. <p>Cons:</p> <ul style="list-style-type: none">◆ Irreversible: Once shares are donated, you can't reclaim them or their value, so you need to be certain about your charitable giving intentions.◆ No financial return: Unlike other strategies, you do not retain any financial benefit from the shares once they are donated.	<p>Value of donation: Ensure that you are comfortable with the value of the shares you are giving away and that it aligns with your charitable and financial goals.</p> <p>Tax documentation: Confirm the charity is recognised by HMRC to qualify for tax relief and maintain proper documentation for tax reporting.</p>

Using the strategies

Continued...

General considerations across all strategies

- ◆ **Market volatility:** Strategies involving waiting for a new tax year or transferring shares to other individuals carry the risk of market movements. If shares drop in value, the tax benefit may be outweighed by the loss in potential gains.
- ◆ **Changes in tax legislation:** Keep informed about changes in tax rules, rates, and allowances, as these could impact the effectiveness of your chosen strategy.
- ◆ **Record-keeping:** Accurate documentation of all share transactions, transfers, and disposals is crucial for tax reporting and demonstrating compliance to HMRC.
- ◆ **Seeking professional advice:** Consulting with a financial adviser or tax professional can help you navigate these strategies, tailor them to your personal situation, and avoid potential pitfalls.

By weighing the pros and cons and considering market conditions, tax rule changes, and personal financial goals, you can choose the most suitable strategy for managing the sale of shares efficiently and in line with HMRC regulations.

They say timing is everything... we cannot control time.



Considerations

Considerations for different share plans

Sharesave, otherwise known as SAYE (Save As You Earn) or CSOP:

If you sell any shares you have acquired under a Sharesave or CSOP, the CGT liability is calculated on the difference between the price that you sold them for and the price that you paid for them. The liability will be the gain in value, less the CGT allowance for the tax year that the shares were sold in.

LTIP (Long-Term Incentive Plan) or other form of non-tax advantaged share plan:

Upon vesting or exercise date for nil cost options, shares may be subject to Income Tax and National Insurance. The base value for CGT purposes is typically the market value at vesting or date of exercise if later (i.e. the value of the shares when received). CGT is incurred on gains from this base value.



Examples

Let's look at an example of each of the strategies

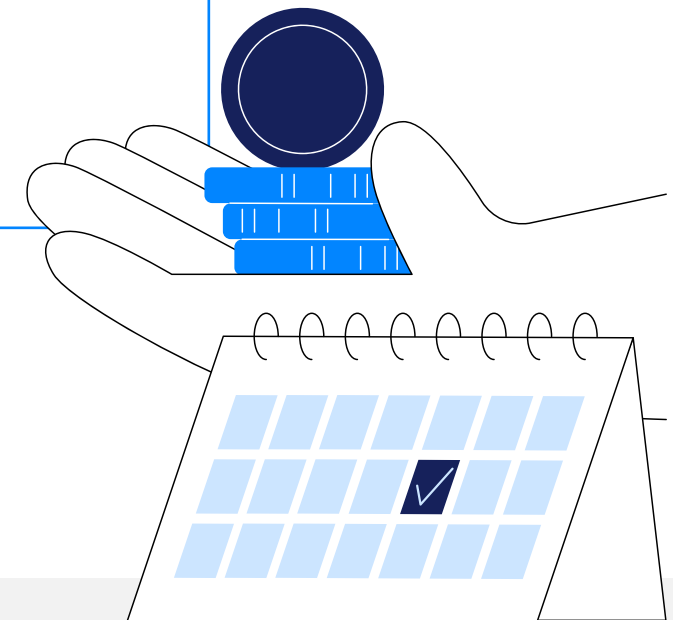
Here are worked examples for each tax planning option based on the 2026-27 CGT allowance of £3,000:

Initial share details: ◆ **Number of shares:** 45 ◆ **Purchase price:** £80 per share ◆ **Total cost of the shares:** £3,600

◆ **Current share price:** £160 per share ◆ **Total current value of the shares:** £7,200 ◆ **Potential gain if sold:** £7,200 - £3,600 = £3,600

CGT payable:
As the allowance for the **2026/27 tax year is £3,000**, you will only need to calculate the tax liability on the **remaining £600 gain** after taking into account the annual allowance (assuming no other gains from sale of any other assets):

◆ Basic rate taxpayers at 18%: £600 x 18% = **£108** ◆ Higher or additional rate taxpayers at 24%: £600 x 24% = **£144**



Examples

Continued...

Assuming the CGT allowance remains the same for the next tax year, let's explore each strategy to see what impact it has on the CGT amount payable.

1. Utilise the annual allowance

Strategy: Sell shares in two separate tax years to utilise the annual allowance each year.

Example in numbers: Year 1 (2026-27): Sell enough shares to use the annual CGT allowance.

- ◆ Sell 37 shares at £160 per share
 - ◆ Proceeds: $37 \times £160 = £5,920$
 - ◆ Purchase cost: $37 \times £80 = £2,960$
 - ◆ Gain: $£6,080 - £3,000 = £2,960$
 - ◆ Gain within the annual allowance: £3,000

CGT due: £0 (entire gain is within the annual allowance, subject to any other assets you may have sold during the current tax year).

Year 2 (2027-28): Sell the remaining shares and use the annual CGT allowance. Let's assume the share price has increased to £12 per share.

- ◆ Sell the remaining 8 shares at £180 per share
 - ◆ Proceeds: $8 \times £180 = £1,440$
 - ◆ Purchase cost: $8 \times £80 = £640$
 - ◆ Gain: $£4,800 - £1,440 - £640 = £800$
 - ◆ Annual CGT allowance: £3,000
 - ◆ Gain within the annual limit: £800
 - ◆ Taxable gain: £0 (gain is within the annual allowance, subject to any other assets you may have sold during the current tax year)

Total tax paid: £0.

Pros and Cons

- ◆ **Pros:** The strategy fully utilises the annual allowance across two tax years, resulting in no CGT liability.
- ◆ **Cons:** Requires careful planning to spread the sales across multiple years and risk of share price fluctuations between the two sales periods. If the share price had increased to £165, there would have been a taxable gain in year 1. This example sold more shares in the first of the two tax years, but it could be split in other amounts and/or spread over further tax years.

Examples

Continued...

2. Spouse or civil partner transfers

Strategy: Transfer half of the shares to a spouse or civil partner to use both CGT allowances. The examples given are subject to no other assets being sold within the current tax year and both having the maximum limit allowed.

Example in numbers: Transfer to Spouse or civil partner: 23 shares transferred, no CGT incurred.

- ◆ You Sell 23 Shares:
 - ◆ Proceeds: $23 \times £160 = £3,680$
 - ◆ Acquisition cost: $23 \times £80 = £1,840$
 - ◆ Gain: $£3,680 - £1,840 = £1,840$
 - ◆ Annual allowance: £3,000
 - ◆ Gain within your allowance: No CGT due.

- ◆ Spouse or civil partner Sells 22 Shares:
 - ◆ Proceeds: $22 \times £160 = £3,520$
 - ◆ Acquisition cost: $22 \times £80 = £1,760$
 - ◆ Gain: $£3,520 - £1,760 = £1,760$
 - ◆ Annual allowance: £3,000
 - ◆ Gain within your Spouse or civil partner's allowance: No CGT due.

Total tax paid: £0.

Pros and Cons

- ◆ **Pros:** Utilises both individuals' CGT allowances and potentially benefits from a lower CGT rate.
- ◆ **Cons:** Relinquishes ownership and control of half of the shares to your spouse or civil partner. This example transferred half of the shares, but an equal split isn't mandatory.

Recipient sells shares later: If the recipient sells the 37 shares at a later date, they can use their own CGT allowance (£3,000) to reduce their liability.

Examples

Continued...

3. Transfer to a stocks & shares ISA

Strategy: Transfer the shares into an ISA:

Example in numbers:

◆ Transfer 45 Shares:

- ◆ Purchase cost:
 $45 \times £80 = £3,600$
- ◆ Annual Cash and Stocks and Shares ISA allowance: £20,000
- ◆ Future gains and any dividends paid within the ISA are tax-free.

Pros and Cons

- ◆ **Pros:** Future gains and any dividends if paid within the ISA are tax-free, providing ongoing tax efficiency.
- ◆ **Cons:** Limited by the ISA annual subscription limit (£20,000 for 2026/27). There might be management fees to pay.

4. Gifting shares to family members

Strategy: Gift shares to a family member (other than a spouse or civil partner).

Example in numbers: This assumes that the family member is in a lower tax bracket.

◆ Gift 37 Shares: Treated as a disposal at market value (£160 each).

- ◆ Value transferred:
 $37 \times £160 = £5,920$
- ◆ Acquisition cost:
 $47 \times £80 = £2,960$
- ◆ Gain: $£5,920 - £2,960 = £2,960$
- ◆ Annual allowance: £3,000
- ◆ Gain within allowance: No CGT due.

Pros and Cons

- ◆ **Pros:** Allows the recipient to potentially use their own CGT allowance and lower tax rates.
- ◆ **Cons:** Immediate CGT on the gift; loss of control over shares.

Examples

Continued...

5. Gift shares as a charitable donation

Strategy: Donate shares to a registered charity.

Example in numbers:

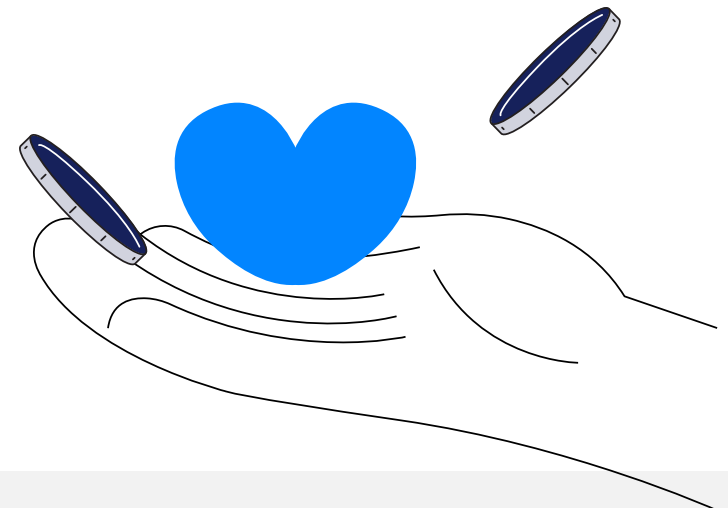
- ◆ Donation: 45 shares donated, valued at £7,200
- ◆ Taxable Income: Your taxable income is reduced by £7,200, and the tax saved depends on your tax band.
- ◆ Tax relief if you are a 40% marginal tax rate payer will be (£7,200 x 40%) £2,880

No CGT: Donation is exempt from CGT

Pros and Cons

- ◆ **Pros:** Full CGT exemption and no Income Tax to pay on the donation.
- ◆ **Cons:** Irreversible; the donated shares are permanently transferred to the charity.

All the above examples illustrate how different strategies impact tax liabilities, demonstrating the importance of careful financial planning. The outcomes depend on market conditions, personal circumstances, and tax rules, so professional advice is recommended to tailor strategies effectively.



Transferring to an ISA

Transferring shares to a Stocks & Shares ISA

Certain shares from employee share plans can be transferred into a Stocks and Shares ISA.

Key benefit: When shares are transferred into an ISA, they are sheltered from future CGT and any dividends received on these shares within the ISA are also tax-free.

Limits: You can only transfer shares into an ISA up to the current annual ISA allowance (£20,000 for the 2026-27 tax year).

Key considerations

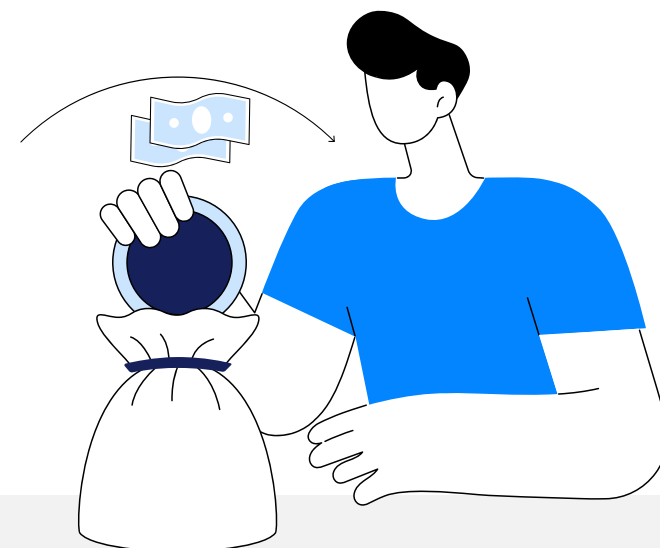
Timing: To take full advantage of the tax benefits, it's crucial to understand and act within the specific time frames, particularly the 90-day rule for SAYE. If you transfer the shares within this 90-day window, any increase in the share's value between the exercise date and the transfer date will not be subject to CGT. If you miss the 90-day window, you can still transfer the shares into an ISA, but you may incur CGT on any gains realized from the date of exercise to the transfer date.

ISA Allowance: Ensure you have enough of your annual ISA allowance left to cover the value of the shares you plan to transfer.

Market conditions: Consider the share price at the time of transfer. If you sell shares (e.g. from LTIPs) to fund an ISA, market movements could impact the value you can re-invest.

Restrictions: here's a summary of some restrictions that apply on a few key share plan types:

Share Plan	Can shares be transfer to an ISA?	Does the 90-day rule apply?
Sharesave / SAYE	Yes – but check with specific provider	Yes, within 90 days of exercise
Nil cost options/ RSUs (RSI / LRSI)	No direct transfer; must sell (and incur Income Tax and NICs on exercise) and re-invest in a cash ISA – check with specific provider	Not applicable



Actions

Ready for the new tax year?

Keep Records: Maintain detailed records of share transactions, including dates, acquisition costs, sale prices, and associated expenses.

Report to HMRC: Any taxable gain must be reported to HMRC via a Self-Assessment Tax Return, even if no CGT is payable (if the total proceeds exceed £50,000).

For further information you can read our guides on:

Are tax filings new to you?

Earning money from your shares – do you need to tell HMRC?

Disclaimer

This guide has been provided in good faith for general information purposes only.

Changes in tax laws and your personal tax position will have an impact. We're not permitted to provide tax advice. You may wish to seek independent, professional financial and/or tax advice if you're unsure about CGT and need tailored advice specific to your circumstances.

This guide was correct at the time of writing (April 2025, last reviewed February 2026). If it conflicts with any official [HMRC guidance on CGT](#), then HMRC's guidance will prevail.

