

Hold-over relief

Briefing Note

Hold-over relief is available to individuals and trustees of a settlement providing the recipient of the gift is resident in the UK. Gifts between spouses and civil partners don't trigger capital gains.

Hold-over relief allows a client to gift assets, postponing any gain so that it is 'held-over' until the recipient of the gift disposes of them.

The amount of gain held-over is based on the market value on the day of the gift or disposal and the market value is the price that the assets might reasonably be expected to realise on the open market.

How the relief works

The held-over gain is treated as reducing the base cost of the asset in the hands of the recipient. This is best shown by an example:

- Tom has an asset he acquired for £20,000.
- Five years later he gifts this asset to a friend, Jerry. At the time of the gift it was worth £50,000. The chargeable gain was therefore £30,000.
- If hold-over relief is claimed then Tom does not have to pay CGT on this gain.
- On the future disposal the cost used to calculate the gain is the market value at acquisition less the amount of the gain held-over.

The market value was £50,000; however, the gain held-over was £30,000, therefore the acquisition cost would be £20,000 in any future CGT calculation.

If the asset transferred was a private residence, there may be restrictions on the entitlement to private residence relief on a subsequent disposal.

More information regarding private residence relief is available in [HMRC Helpsheet 283](#).

Qualifying assets

There are five qualifying categories of assets:

1. Business assets

An asset used for the purposes of a trade, profession or vocation by a client (solely or in a partnership) or by a company where the client has at least 5% voting rights. For a trust, the asset must be used for a trade, profession or vocation carried on by the trustees or a beneficiary with an interest in possession.

2. Shares and securities

Those of a trading company or, if the shares or securities are not listed on a 'recognised stock exchange', the holding company of a trading group. The Alternative Investment Market is not a recognised stock exchange. Listed shares and securities can qualify under exceptional circumstances.

3. Agricultural land

If it does not qualify as a business asset, it can qualify if it is agricultural property for the purposes of inheritance tax (IHT). IHT relief for agricultural land is limited to its agricultural value. So, where the value of agricultural land is in excess of its agricultural value, for example, because of possibilities of development, the excess does not qualify for that relief. This restriction does not apply for the purposes of hold-over relief.

4. Chargeable transfers for IHT purposes

Hold-over relief is available where the disposal is a chargeable transfer for IHT purposes, such as a transfer to a discretionary trust, even if this is within the client's nil rate band.



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5. Certain occasions exempted from IHT

Hold-over relief is available where certain IHT exemptions apply, including:

- a transfer from an ‘accumulation and maintenance trust’ which had that status before 22 March 2006 either to a qualifying beneficiary or on their death
- a transfer from a ‘trust for bereaved minors’ either to them or on their death and
- a transfer from an ‘18-25 trust’ either to the relevant beneficiary before their 18th birthday or on their death before the age of 18.
- where the disposal would be a chargeable lifetime transfer or a potentially exempt transfer for IHT purposes, but for one of a list of exemptions most of which are concerned with historic buildings or works of art.

Claiming hold-over relief

To obtain hold-over relief, a claim must be made by the following within four years from the end of the year of assessment in which the disposal occurred:

- jointly by the donor and the recipient or
- only by the donor if the recipient is the trustee of a settlement.

Becoming non-resident

If the recipient of a gift where hold-over relief has been applied for becomes non-resident within six years of the end of the tax year in which the gift was made and the asset has not been disposed of, they are chargeable on the held-over gain. Different rules apply where the transferee is a trustee.

If the tax is not paid, in certain circumstances HMRC can collect it from the donor.

More information regarding Hold-over relief is available in [HMRC Helpsheet 295](#).

This document is based on Canada Life’s understanding of applicable UK tax legislation and current HM Revenue & Custom’s practice, as at March 2021 and could be subject to change in the future. It is provided for professional advisers only. Any recommendations are the adviser’s sole responsibility.



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