

Removal of initial advice fees from capital gains calculations

The new capital gains tool which is available on the Nucleus platform does not include initial advice fees as allowable costs within the capital gains calculations unlike the previous capital gains calculator. We have implemented this change following an external audit of the previous calculator by Grant Thornton. The audit referenced Section 38 of the Taxation of Chargeable Gains Act 1992 (TCGA92/S38) which sets out an exhaustive list of incidental costs that can be included.

This legislation is further explained in HMRC's Capital Gains Manual, which provides the following (HMRC's capitalisation):

Expenditure: incidental costs of acquisition and disposal

TCGA92/S38 defines the incidental costs of acquisition and disposal. The definition is exhaustive. **No other expenditure is allowable.**

Allowable incidental costs are limited to

- fees, commission or remuneration paid for the professional services of any
- surveyor, valuer or auctioneer
- accountant or agent
- legal adviser
- costs of transfer or conveyance (including Stamp Duty or stamp duty land tax)
- costs of advertising to find a buyer or seller
- costs reasonably incurred in making any valuation or apportionment required for the purposes of the Capital Gains Tax computation.

The expenditure must have been incurred wholly and exclusively for the purposes of the acquisition or disposal.

CG15250, HM Revenue & Customs, 12 March 2016

<https://www.gov.uk/hmrc-internal-manuals/capital-gains-manual/cg15250>

The initial advice fee deducted via the Nucleus platform does not qualify under the definition of professional fees and costs listed above. In addition, the initial advice fee cannot be shown to be wholly and exclusively for the purposes of acquiring a specific asset. The initial advice fee may also relate to the provision of financial advice, the opening of the General or other Nucleus accounts, the management of the portfolio or other such services and tasks not explicitly linked to the acquisition of an asset.

The capital gains tool will continue to include initial fund charges, stockbroker charges and any other fees incurred directly in the acquisition or disposal of a specific asset.