

Your questions answered: UK Capital Gains Tax

Is this guide for me?

A capital gain may arise when you sell your Experian shares.

If you intend to sell your Experian shares and **your gain is expected to be above £12,300** (or you have already made gains during this tax year that, when added to the gain on Experian shares, would exceed £12,300), this guide may be of interest to you.

Please read further if you wish to explore whether **you may be able to reduce the amount of UK Capital Gains Tax you pay.**

How is Sharesave taxed?

You do not have to pay income tax on your savings and any applicable bonus or on any Experian shares that you buy when you exercise your option.

However, **if you sell some or all of your Experian shares, you may have to pay UK Capital Gains Tax** if the gain, when added to any other capital gain you make in the same tax year, exceeds your Annual Allowance.

The UK Capital Gains Tax **Annual Allowance** for 2020/21 is £12,300. For 2020/21 gains on sales of Experian shares in excess of the Annual Allowance are subject to tax at 10% or 20%, depending on whether your taxable income is below or above £50,000.

If you have a UK Capital Gains Tax liability you need to complete a UK self-assessment tax return to declare your gain and pay the tax due. The filing and payment deadline for the 2020/21 tax year is 31 January 2022.

There are some actions you could take to reduce any Capital Gains Tax you may have to pay.

UK Capital Gains Tax is dependent on your own personal circumstances and tax legislation is subject to change. You may wish to get independent advice to help you make the right decision. The information contained in this guide is current as of April 2020.

Please be aware that share prices can go down as well as up and the value of Experian shares and the income from them cannot be guaranteed. You should seek independent financial advice if you are in any doubt about what course of action to take in respect of your option maturity.

How do I know how much of my Annual Allowance I have available?

If you have made no other chargeable gains during the tax year, the full Annual Allowance of £12,300 will be available to reduce the tax payable when you sell your Experian shares.

If you have made any other gains during the tax year, then the Annual Allowance will be reduced by the amount of those gains. You may be considered to have made other gains on disposal of "chargeable assets". Guidance on what constitutes a chargeable asset for UK Capital Gains purposes can be found here: www.gov.uk/capital-gains-tax/what-you-pay-it-on

Any unused Annual Allowance is lost if not used in any tax year i.e. it does not increase the Annual Allowance for the following tax year.

When does a tax year start and end?

The UK tax year runs from 6 April to 5 April the following year.

How do I estimate my capital gain?

Your capital gain will be your sale proceeds less the base cost. If you do not hold any other Experian shares, the base cost is the price you paid for the Experian shares (based on the discounted option price). If you do hold other Experian shares, please refer to the footnote on the following page.

Your sales proceeds will depend on the price of Experian shares on the day of sale. You may estimate this based on current share price although this is likely to change. A sales commission (which will be 0.5% of your sales proceeds, or a minimum of £25.00) will be deducted from your sales proceeds. This is deductible from your gain.

The price you pay for your Experian shares can be found in the award documentation. For the plans maturing in 2020, you will pay:

- £9.94 per share, for the 2015 5-year plan; and
- £13.26 per share, for the 2017 3-year plan.

Do I need to complete a UK tax return if I sell my Experian shares?

You will be required to report the capital gain made on the sale of Experian shares on a UK self-assessment tax return for the tax year of sale only if:

- your total gains for that year before deducting capital losses, if any, are more than the Annual Allowance; or
- the total value of the assets you sell or otherwise dispose of in a tax year is more than four times the Annual Allowance (you usually dispose of an asset when you cease to own it because you sell or transfer it).

What can I do to reduce any UK Capital Gains Tax I may have to pay?

There are some simple alternatives to allow you to save UK Capital Gains Tax if you sell your Experian shares:

- 1. Split the sale of your Experian shares over two tax years** to benefit from the Annual Allowance in each tax year;
- 2. Sell a certain number of Experian shares** to use the Annual Allowance and keep the rest of the shares;
- 3. Transfer your Experian shares to an Individual Savings Account (ISA)** within 90 days of the date you exercise. Any future sales or gains made on the Experian shares would be free from UK Capital Gains Tax;
- 4. Transfer some of your Experian shares to your spouse or civil partner** to use their Annual Allowance

Please note that each of the above actions will have different practical implications and some may be more appropriate than others to you.

You may be able to opt for some of these alternatives via Equiniti, provided you submit your instructions in time for the first maturity week. Thereafter, you should elect to keep your shares and then proceed with making any alternative arrangements yourself. Please see more information and a practical example for each of these actions overleaf.



On this page (1/2) you'll find illustrations of how to calculate the chargeable gain and any UK Capital Gains Tax (CGT) due on the sale of your Experian shares, for each of the actions available to reduce your liability.

Note that the numbers we have used (on the right hand side) are purely illustrative and your personal circumstances will be different. Sales commission is disregarded. It is assumed that the sales proceeds are equal to the market value of Experian shares on the day of sale. The tax year of exercise in the illustration is 2020/21. The Annual Allowance (AA) is assumed to remain constant at £12,300.

Price paid	£9.94 / share
Sales proceeds	£21.94 / share
Number of shares	1,250
Chargeable gain	£12 / share (£15,000 for 1,250 shares)

1. Split the sale of your shares over two tax years to benefit from the annual allowance in each year

You can sell a portion of your Experian shares so that your gain will 'match' the AA available to you for the tax year of exercise. You can then sell any remaining Experian shares in the next tax year (and any number of subsequent tax years as it would take you to match your gain with your AA).

Your Experian shares will be sold by Equiniti and your proceeds will be sent by cheque to your registered address within 5 working days. You will then be sent a share certificate for the balance of the Experian shares, on which you will be entitled to receive dividends until you dispose of them.

For example, assuming you have made other gains and you have only £9,300 of AA left for 2020/21 you could limit your chargeable gain to a maximum of £9,300 by selling 775 (£9,300/£12) Experian shares. The gain on sale of £9,300 would be fully covered by your AA and no CGT would become due in 2020/21.

You will then be able to sell the remaining 475 of your Experian shares in 2021/22 and make use of the AA available then. The sales proceeds are likely to be different as Experian's share price is likely to change. Your base cost will depend on whether you acquire and hold Experian shares on other dates.

If the price of your Experian shares goes down in 2021/22 as compared to 2020/21, your sales proceeds (and gains) will be lower. However, you are not required to sell your Experian shares within a specific time frame and may retain them for longer.

2. Sell a certain number of shares to stay under the annual allowance and keep the rest

As above, you can sell a portion of your Experian shares so that your gain will use the AA available to you for the tax year of exercise. You can keep any remaining Experian shares.

Your Experian shares will be sold by Equiniti and your proceeds will be sent by cheque to your registered address within 5 working days. You will then be sent a share certificate for the balance of the Experian shares, on which you will be entitled to receive dividends.

Dividends are subject to income tax but there is annual exempt amount, currently £2,000. Experian has no obligation to pay dividends and any dividend would be dependant on dividend policy at the time. As an Experian shareholder (and employee), you may want to familiarise yourself with the current dividend policy.

For example, assuming you have made no other gains you would have the full £12,300 of AA available to you for 2020/21 and you could limit your gain to a maximum of £12,300, which is achieved by selling 1,025 (£12,300/£12) Experian shares.

The gain on sale of £12,300 would be fully covered by your AA and no CGT would be payable.

You would be entitled to receive dividends on your remaining 225 Experian shares if dividends are declared.

Note: Keeping your shares and selling them on a later date –For base cost calculations, Experian shares sold on a particular date are “matched” against any Experian shares you have acquired, in the following order: (1) Experian shares acquired on the same day as sale, (2) Experian shares acquired in the 30 days following sale, and (3) all other Experian shares held by you. Therefore, if you have acquired Experian shares at different prices or buy more Experian shares within 30 days of sale, your base cost may be different. Generally, all your Experian shares will be pooled and your base cost calculated as the average base cost of all the Experian shares in the pool. You should seek independent financial advice if you are in any doubt about how to calculate your capital gains.



On this page (2/2) you'll find illustrations of how to calculate the chargeable gain and any UK Capital Gains Tax (CGT) due on the sale of your Experian shares, for each of the actions available to reduce your liability.

Note that the numbers we have used (on the right hand side) are purely illustrative and your personal circumstances will be different. Sales commission is disregarded. It is assumed that the sales proceeds are equal to the market value of Experian shares on the day of sale. The tax year of exercise in the illustration is 2020/21. The Annual Allowance (AA) is assumed to remain constant at £12,300.

Price paid	£9.94 / share
Sales proceeds	£21.94 / share
Number of shares	1,250
Chargeable gain	£12 / share (£15,000 for 1,250 shares)

3. Transfer your shares to an Individual Savings Account (ISA)

ISAs are tax exempt savings accounts, so any income and capital gains made within the ISA are tax-free. You can transfer shares arising from your Sharesave Plan directly into an ISA without a liability for CGT. You can transfer your Experian shares to an Equiniti ISA when you submit your instructions in advance of exercise. Alternatively, if you would like to transfer shares into a personal ISA, you can also do this yourself once you receive your share certificate. For more information go to www.hmrc.gov.uk/isa

Your Experian shares will form part of your ISA limit for the year (£20,000 for the 2020/21 tax year). The value of the Experian shares you are transferring is the market value at the time of transfer. If relevant, the balance of Experian shares can be sold or you can request a share certificate to keep your Experian shares.

For example, you may wish to transfer the maximum number of Experian shares i.e. 911 (£20,000 / £21.94) to the Experian ISA and sell the remaining 339 (1,250 – 911) Experian shares. The gain on sale of £4,068 (339 x £12) would be fully covered by your AA, assuming this is available, and no CGT would be payable.

You will be entitled to receive dividends while your Experian shares are held in the ISA. Dividends received on shares held within an ISA will be tax free and won't impact your dividend tax free allowance. If you subsequently sell your Experian shares from your ISA account, the sale will not be chargeable for CGT purposes.

4. Transfer some of your shares to your spouse or civil partner to utilise their Annual Allowance

Transfers of assets (including your Experian shares) to your spouse or civil partner (partner) are not chargeable transfers for the purposes of CGT. More information on non-chargeable transfers can be found here: www.gov.uk/capital-gains-tax/gifts

To effect the transfer, you will need to contact Link Asset Services, who are the registrars for Experian plc, for a gift transfer form. No UK Stamp Duty will be payable on the gift transfer to your partner on the basis they are not paying you for your Experian shares.

For example, assuming you have made no other gains you would have the full £12,300 of AA available to you for 2020/21 and you could keep your chargeable gain to a maximum of £12,300.

If your partner has any unused AA, you can transfer your Experian shares so that they can sell their Experian shares (if they wish to do so) and make use of their AA (in this example, they would need to have AA available of £2,700 i.e. £15,000 less £12,300).

This way, you would effectively transfer £2,700 of your gain to your spouse by transferring 225 (£2,700/£12) Experian shares worth £4,936.50 (225 x £21.94) to your partner. As the transfer is inter-spouse the assumption is that the Experian shares are transferred at a value of £2,236.50 (225 x £9.94). Thus, you realise no capital gain and your partner is deemed to have acquired the Experian shares at a cost of £2,236.50. For clarity, the AA is not transferable between you and your partner, it is the transfer of Experian shares which is free of CGT.

The acquisition price for calculating any CGT on a subsequent disposal by your partner will be the option exercise price and not the market value at the time of transfer. Therefore, should your partner sell their Experian shares immediately for £21.94 per share, their capital gain would be £2,700 (225 x £12) and would be covered by their AA.

Please note that in practice, this may take some time to arrange and your partner's sales proceeds are unlikely to be equal to yours (there would be two separate sales transactions). Do get in touch with Link Asset Services if you have any questions.

