

# Share Dealings and Capital Gains Tax

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## Purpose

To review how share transactions are treated for Capital Gains Tax purposes

# Shares and CGT – general principles

- The same general principles apply for shares as for disposal of other assets i.e.

• Consideration received	€xx
• Less cost of asset	(€yy)
• Indexation (if acquired before 2003)	
• Indexed cost	(€zz)
• Chargeable gain	€aa
• Personal exemption	(Max €1,270 pa)
• Taxable gain	€bb
• Tax @ 33%	€cc

## Example

- Tom bought 3000 shares for €1 each in Jray Co in 2002 and sold them for €3 each in 2017.

• Sales Proceeds (3000 x €3)		9,000
• Cost (3000 x €1)	3000	
• Indexation factor (2002)	1.049	
• Indexed cost (3000 x 1.049)		(3,147)
• Chargeable Gain		5,853
• Less personal exemption		(1,270)
• Taxable gain		4,583
• Tax @ 33%		1,512

# Special CGT issues arising from shares

## 1. Multiplicity of transactions

2. Rights Issues
3. Bonus issues
4. Share for share exchange

## Multiplicity of transactions

- Typically shares are bought and sold over a period of time
- When disposing of shares, it is important to be able to identify which shares are being sold (and what they cost)
- A share register for all shares should be maintained
  
- FIFO rule applies – **F**irst **I**n, **F**irst **O**ut.



## Typical share register

Date	Share	Transaction	No of Shares	Unit cost (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200

## Typical share register

Date	Share	Transaction	No of Shares	Unit cost (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100

## Typical share register

Date	Share	Transaction	No of Shares	Unit cost (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500

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Date	Share	Transaction	No of Shares	Unit Price (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	

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1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	

# Typical share register

**Under FIFO rules these 200 shares are the first deemed sold**

Date	Share	Transaction	No of Shares	Unit Price (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	200
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	

# Typical share register

Date	Share	Transaction	No of Shares	Unit Price (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	0
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	200
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	

# Typical share register

**Under FIFO rules 50 of these shares are then deemed sold**

Date	Share	Transaction	No of Shares	Unit Price (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	0
1/2/2015	YTweet	Bought	100	2	200	100
1/3/2015	XBlog	Bought	200	1.5	300	150
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	



# Typical share register

Date	Share	Transaction	No of Shares	Unit Price (€)	Total (€)	Share Balance
1/1/2015	XBlog	Bought	200	1	200	0
1/2/2015	YTweet	Bought	100	2	200	50
1/3/2015	XBlog	Bought	200	1.5	300	150
1/4/2015	YTweet	Bought	100	1.5	150	100
1/5/2015	XBlog	Bought	500	3	1500	500
15/6/2015	XBlog	<b>Sold</b>	<b>250</b>	<b>2.5</b>	<b>625</b>	

## CGT Computation

• Sale Proceeds (250 x 2.5)		625
• Cost: (200 x €1)	200	
(50 x €1.50)	75	(275)
• Chargeable Gain		350
• Less personal exemption		(350)
• Tax		Nil

# Special CGT issues arising from shares

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## Rights Issues

- This arises when an existing shareholder is given the right to purchase new shares at a discount.
- The cost of the new rights issue shares is deemed “enhancement expenditure”
- For FIFO purposes the shares are deemed to have been acquired at the same time as the shares to which they are attached (and **not** when the shares are purchased)

## Rights Issue - example

- Joe bought 2000 shares in Hytech in 2014 for €3,000. In 2015 Hytech had a “one for four” rights issue and Joe exercised his right to buy 500 shares for €2.50 per share. In 2016 he sold 1000 shares for €5,000.

	Original Shares	Rights Shares	Total Shares
Purchase (2014)	2000	0	2000
Rights shares 1:4 (2015)	0	500	500
TOTAL Shares	2000	500	2500
Cost per share	€1.50	€2.50	

## Rights Issue - example

- Joe bought 2000 shares in Hytech in 2014 for €3,000. In 2015 Hytech had a “one for four” rights issue and Joe exercised his right to buy 500 shares for €2.50 per share. In 2016 he sold 1000 shares for €5,000.

	Original Shares	Rights Shares	Total Shares
Purchase (2014)	2000	0	2000
Rights shares 1:5 (2015)	0	500	500
TOTAL Shares	2000	500	2500
Cost per share	€1.50	€2.50	

Although these shares were bought later than the first tranche, they are deemed to be acquired at the same time

## Rights Issue - example

- Joe bought 2000 shares in Hytech in 2014 for €3,000. In 2015 Hytech had a “one for four” rights issue and Joe exercised his right to buy 500 shares for €2.50 per share. In 2016 he sold 1000 shares for €5,000.

	Original Shares	Rights Shares	Total Shares
Purchase (2014)	2000	0	2000
Rights shares 1:4 (2015)	0	500	500
Disposals (2016)			1000
Remaining Shares			1500
Cost per share	€1.50	€2.50	

1,000 shares have been sold. This is 40% of the total portfolio.

## Rights Issue - example

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	Original Shares	Rights Shares	Total Shares
Purchase (2014)	2000	0	2000
Rights shares 1:4 (2015)	0	500	500
Disposals (2016)	800	200	1000
Remaining Shares	1200	300	1500
Cost per share	€1.50	€2.50	

1,000 shares have been sold. This is 40% of the total portfolio.

Therefore, 40% of the original shares, and 40% of the rights shares are deemed to have been sold.

# CGT Computation

• Sales Proceeds			€5,000
• Cost	800 x 1.5	1,200	
•	200 x 2.5	500	(€1,700)
• Chargeable gain			€3,300
• Less personal exemption			(€1,270)
• Taxable gain			€2,030
• Tax @ 33%			€ 670

## Special CGT issues arising from shares

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# Bonus Shares

- A bonus share is where existing shareholders are given free shares in proportion to their existing holding
- They are treated in the same way as rights issues but the base cost is zero

## Bonus Issue - example

- Joe bought 2000 shares in Hytech in 2014 for €3,000. In 2015 Hytech had a “one for ten” bonus issue. In 2016 he sold 1100 shares for €5,000.

	Original Shares	Rights Shares	Total Shares
Purchase 2014	2000	0	2000
Rights shares 1:10 (2015)	0	200	200
			1100
Cost per share	€1.50	€Nil	

## Bonus Issue - example

- Joe bought 2000 shares in Hytech in 2014 for €3,000. In 2015 Hytech had a “one for ten” bonus issue. In 2016 he sold 1100 shares for €5,000.

	Original Shares	Rights Shares	Total Shares
Purchase 2014	2000	0	2000
Rights shares 1:10 (2015)	0	200	200
	1000	100	1100
Cost per share	€1.50	€Nil	

50% of total shares sold – therefore 50% of both original and bonus shares.

## CGT Computation

• Sales Proceeds		€5,000
• Cost	1000 x 1.5	1,500
•	100 x 0	0
		(€1,500)
• Chargeable gain		€3,500
• Less personal exemption		(€1,270)
• Taxable gain		€2,230
• Tax @ 33%		€ 736

# Special CGT issues arising from shares

1. Multiplicity of transactions
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## Share for share exchange

- When one company takes over another, the consideration can be in shares of the acquiring company.
- Where the consideration is 100% in shares the new shares are deemed to have the same status as the old ones.
- On subsequent disposal (of the new shares) the base cost will be the base cost of the old shares
- If indexation applies it will apply from the date of the original acquisition of the old shares.



## Example – share for share exchange

- Joe bought 10,000 shares in ABC Ltd in 2007 for €5 each. In 2012, XYZ Ltd took over ABC and issued one share for every two held in ABC. Joe sold half his shareholding in XYZ in 2014 for €50,000.

• Sales Proceeds: 2,500 shares @ €20	50,000
• Cost 5,000 shares in ABC @ €5	(25,000)
• Chargeable gain	25,000
• Less personal exemption	( 1,270)
• Taxable Gain	23,730
• Tax @ 33%	7,831