

WHAT'S CHANGED SINCE CAPITAL GAINS TAX ANNUAL EXEMPT AMOUNT FELL FROM £12,300 TO £3,000 IN 2024/25?

The Government reduced the capital gains tax (CGT) annual exempt amount from £12,300 in 2022/23 to £3,000 from 2024/25 onwards. While this might have been expected to increase tax revenues, the outcome to date has been quite the opposite.

DOWNWARD TREND

In addition to the annual exempt amount reduction, the rates of CGT on gains from shares and securities (plus other non-residential property) were increased partway through 2024/25 from 10% and 20%, to 18% and 24%:

- However, CGT receipts were £16.9 billion in 2022/23, falling to £14.5 billion for 2023/24, and to just £13.5 billion for 2024/25.
- This indicates how sensitive CGT is to taxpayers' behaviour, with many investors simply sitting on their gains and deferring disposals.

The latest CGT receipts show how increasing tax rates and reducing exemptions doesn't necessarily mean a straight line to more revenue – a good example of the Laffer Curve in action.

THE LAFFER CURVE

The Laffer Curve represents the theoretical relationship between tax rates and the resulting tax take. If tax rates are set too high, the tax take will start to reduce.

In some cases, it is difficult for taxpayers to do much to mitigate the impact of tax increases. The take from employer national insurance contributions (NICs), for example, has increased dramatically since the starting threshold was reduced and the rate increased. The latest figures for December 2025 show the tax take has increased by 25% compared to the previous December:

- In contrast, many taxpayers whose income has reached £100,000 have decided that doing an extra £1,000 worth of work is not worthwhile if the resulting take-home pay is just £380.
- With tax thresholds frozen since 2021/22, an estimated 1.8 million taxpayers now earn more than £100,000, with another 490,000 likely to be caught over the next four years.
- Many are avoiding the 62% tax trap by reducing the hours they work, declining a promotion or negotiating a pay cut in return for additional holiday.

HMRC's latest bulletin detailing tax receipts and NICs can be found [here](#).

WE CAN HELP

If you require further assistance, please contact us on **01753 888 211** or email info@nhllp.com, we are here to help.