

## Adviser Edge

### Capital Gains Tax:

# Funding a client's ISA from a GIA

CATEGORY: INVESTMENT AND TAX

## Key Takeaways

### ■ Annual Exempt Amount (AEA) partial disposal of a chargeable asset

#### Example: Funding a client's ISA from a GIA (General Investment Account)

It is widespread practice for advisers to fund a client's annual ISA subscription from a client's GIA. In the past a more generous AEA enabled many clients to do this, with very few realising a liability to Capital Gains Tax (CGT). However, with the AEA now set at £3,000 this may cause some clients to be liable to CGT. This may impact on the client's willingness to accept the adviser's recommendation to move assets into an ISA.

#### Example

Paul invested £200,000 into an OEIC 10 years ago. Today it is valued at £300,000. Paul wishes to withdraw £20,000 to fund his ISA.

To calculate the potential CGT on the capital withdrawn from the GIA to fund the ISA, a calculation is required to establish how much of the withdrawn value is return of capital.

The return of capital value amount can be calculated using the Partial Disposal formula:

$$PP \quad \times \quad \frac{A}{A + B}$$

PP = Original investment  
A = Value disposed  
B = Value retained

The gain on partial disposal is calculated as follows:

$$\text{*Return of capital} = £200,000 \times [£20,000 / (£20,000 + £280,000)] = £13,333$$


Disposal required to fund ISA	£20,000
Less the return of capital*	(£13,333)
<b>Capital gain</b>	<b>£6,667</b>

Paul's gain in this example is more than the £3,000 2024/25 & 2025/26 AEA. As a result, Paul would have a CGT liability on the part disposal of his GIA, to fund the ISA.

#### Annual Exempt Amount (AEA):

- £3,000 in 2024/25 & 2025/26

## Contact us

 0207 464 5855

 [clientsupport@columbiathreadneedle.com](mailto:clientsupport@columbiathreadneedle.com)

 [columbiathreadneedle.co.uk/adviser-edge](https://columbiathreadneedle.co.uk/adviser-edge)

Telephone calls may be recorded.

To find out more visit [columbiathreadneedle.com](https://columbiathreadneedle.com)



**Important information:** This document is directed only to persons having professional experience in matters relating to personal investment (investment professionals) and should not be distributed to anybody else. It has been prepared for general information purposes only. It does not constitute advice (whether investment, legal, regulatory, tax or otherwise) provided by Columbia Threadneedle Management Limited. Certain content in this document is based on our own reading of legislation, regulation, or guidance issued by a government or regulatory authority, as at the date of publication, and which is subject to ongoing change. Tax treatment is based upon individual circumstances. Columbia Threadneedle Management Limited gives no warranty or representation, whether express or implied, that such content is up to date, complete, or accurate.

Investment professionals in receipt of this document should not rely on any of its content. They remain solely responsible for advising their underlying clients in accordance with their own legal and/or regulatory obligations and for taking their own independent advice as they determine is necessary.

To the extent lawful, Columbia Threadneedle Management Limited excludes all responsibility and associated liability for any loss or damage suffered by any recipient of this document who chooses to rely on its content, whether occurring in contract, tort (including negligence), breach of statutory duty, or otherwise, even if foreseeable.

© 2024 Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

**For professional investors only.** This financial promotion is issued for marketing and information purposes only by Columbia Threadneedle Investments in the UK.

This material should not be considered as an offer, solicitation, advice, or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice. Information from external sources is considered reliable but there is no guarantee as to its accuracy or completeness. Actual investment parameters are agreed and set out in the prospectus or formal investment management agreement.

Financial promotions are issued for marketing and information purposes; in the United Kingdom by Columbia Threadneedle Management Limited, which is authorised and regulated by the Financial Conduct Authority.

WF2629232 (02/25). UK