Capital Gains Scenario Tool (CGST)

Wrap platform user guide
Capital Gains Tax (CGT) is generally payable when chargeable assets are sold for more than they cost and the cumulative total of gains and losses is above the HMRC annual allowance. For clients with significant unrealised gains, taking advantage of the annual allowance could be financially beneficial. For this reason we have developed a tool to assist you with your clients’ tax planning and maximising the use of their CGT allowance.

Our Capital Gains Scenario Tool (CGST) displays all your clients’ current holdings, including Managed Portfolios, within their Personal Portfolio account allowing you to understand their potential capital gains position based on 3 scenarios:

1. Manually disinvesting funds and understanding the potential liability
2. Disinvesting funds to reach a particular capital gain
3. Disinvesting funds to reach a required cash amount

For the last two scenarios, you are able to set a target and choose how to reach it, either:

1. Proportionately across all holdings
2. Utilising assets with the largest percentage gains first
3. Utilising assets with the smallest percentage gains first

Should you wish to, you are able to exclude particular assets from these calculations.

The tool then displays the sells required, based on your chosen scenario. Once you are happy that you have optimised your client’s position, you are able to choose to place the sell deals, with the proceeds going to the cash account, new funds or Managed Portfolios. Or invest the monies via the PP to S&S ISA tool.

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1 Managed Portfolios are excluded from this option at present.
1. How do I access the tool?

You need to open the customer account on WRAP and then the tool can be found using the menu – Client / Performance / Capital Gains Scenario Tool

2. Disclaimer

On your first access to the tool for each client, within a tax year, you will be asked to accept the conditions under which this tool has been made available. Accordingly, the current disclaimers that apply to our WRAP CG Report will generally apply to the CGST.

You are encouraged to update any missing book cost information that is relevant to client PP holdings.
3. The current tax year

On acceptance of the conditions and entering the tool you will note that it displays the current tax year and annual CGT allowance that is applicable. See example.

Underneath that we provide details of any realised gains and losses that have been incurred on the platform and within Managed Portfolios, during the current tax year. On pressing the “Edit” button, you are able to record any external (non-platform) gains and losses and any allowable losses brought forward from previous tax years that have been reported to HMRC. All of these figures will be totalled and the overall position displayed in the right hand column.

Please note that you should “Save” any data in this section if you wish to use it at a later date as it will not save automatically.

1. External (non-platform) realised losses and gains can be added
2. Allowable losses from previous years (reported to HMRC) can be added

Please note that the annual CGT allowance is set for individuals and cannot be altered.
4. The “What if?..” scenarios

As set out in the overview, this feature enables you to manipulate the account in line with your client’s needs by:

a. Disinvesting funds by manually inputting a sell value and/or a sell quantity figures for any asset. Please note for Managed Portfolios, you can only specify a sell value.

b. Disinvesting funds to reach a ‘Specific Capital Gain’ target by2
   i. Selling assets proportionately across client holdings based on gain/loss or
   ii. Selling assets with maximum percentage gains first or
   iii. Selling assets with least percentage gains first

c. Disinvesting funds to reach ‘Specific Proceeds Value’ (user input) by:
   i. Selling assets proportionately across client holdings based on gain/loss
   ii. Selling assets with maximum percentage gains first
   iii. Selling assets with least percentage gains first

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2 not currently available for Managed Portfolios.
5. The calculation screen

When the CGST is launched, all PP asset holdings are initially selected but show nil values in the tax adjusted unit cost, sell value, quantity and gain/loss sections. For manually selected disinvestment you need to:

- Ensure that all holdings required are selected
- Then enter either a sell value or unit amount for disinvestment on each investment line
- Once satisfied all investment values are entered, you need to hit ‘calculate’
- Upon refresh (automatic) the tax adjusted unit cost and notional gain/loss position for each investment selected will be shown

As you can see, the second asset has been excluded from this scenario by unticking the box in the right hand column.

The Tax Adjusted Unit Cost will not appear until the calculate button is selected.

Please note that the overall gain/loss position is directly related to the price used by the tool and does not include associated dealing charges. When the user uses the switch function to disinvest, the price fetched may differ slightly and accordingly the gain/loss position may be subject to change.

<table>
<thead>
<tr>
<th>Column</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Holdings</td>
<td>Number of units held in the individual asset.</td>
</tr>
<tr>
<td>£ tax adjusted cost</td>
<td>The tax adjusted cost of the current holding takes into account share matching rules, all buy/sell activity together with adjustments for equalisation and accumulation unit distributions.</td>
</tr>
<tr>
<td>£ current price</td>
<td>The price of the asset at the last valuation point.</td>
</tr>
<tr>
<td>£ current value</td>
<td>Current holdings multiplied by the current price.</td>
</tr>
<tr>
<td>£ sell value</td>
<td>Can be used for manual disinvestment, in which case it will be used to prepopulate “Sell Quantity”. For other disinvestment scenarios, this field will be automatically populated.</td>
</tr>
<tr>
<td>Selling Quantity</td>
<td>Can be used for manual disinvestment, in which case it will be used to prepopulate “Sell Value”. For other disinvestment scenarios, this field will be automatically populated.</td>
</tr>
<tr>
<td>£ Gain/loss</td>
<td>This will be worked out automatically for the chosen scenario based on the number of units being sold.</td>
</tr>
<tr>
<td>% Gain/loss</td>
<td>This is calculated based on the current price of a unit compared to the average unit cost not tax adjusted unit costs.</td>
</tr>
</tbody>
</table>
6. Book cost

If the book cost is missing for any of the holdings this will be highlighted. This is likely to be as a result of an external transfer of assets where the book cost was not available or input at the time of transfer.

1. Clicking on the “Add book cost” button will bring up this screen. The input value should be the total cost of the assets in GBP. In this example, £3,844.58.

2. Once “saved”, the book cost will reflect the change, as below.

You will note that in this example, the code for the asset that requires updating is not the same as the code for the current assets. This is because of a conversion (bundled to clean shareclass) from one fund class to another and it is the source fund that had missing book cost.

7. Printing

The outcome of each scenario can be saved to the client’s Document library in PDF, Word or Excel formats by using the “Print” button. You can also view the report straight away by clicking on the “Complete” link under the client’s name and account number.

Please visit abrdn.com/adviser for a copy of the Capital Gains Tax Guide that fully explains the functionality for adding/amending book costs.
8. Switch

This feature will enable you to switch from one fund into another or Managed Portfolio and will adopt existing platform switch/deal functionality which will be replicated in this tool.

In order to sell down to cash, the user must enter 100% in the Estimated GBP Cash Weighting %
‘Does the Tool Account for Open Orders?’
Yes, where a client has an open, partial sell order for a particular fund, the units to be sold will be ringfenced and will not appear for inclusion in the scenarios.
For a full sell order, the fund will appear but with zero values and it will not be included in any scenarios.

‘What happens if I put in a target value greater then the value available in the portfolio?’
Should the input gain or cash target be greater than that available in the portfolio, the tool will default to selling all included assets.

‘How can I find out the total capital gain position for the Personal Portfolio?’
You should input a value equal or greater than the total value of the account. This will assume all assets are to be sold and produce a gain/loss figure on this basis.

‘What happens if I forget to choose a “By” option for my scenario?’
If no choice is made in the ‘by’ section the user will receive a validation error asking them to select a ‘by’ option.

‘How do sell transactions initiated through the tool appear on my client’s account?’
As the CG scenario tool uses the existing platform switch functionality, but with the additional option to switch into cash, all transactions triggered through the tool will appear as switches and not as disposals.

‘Does this tool work for joint accounts and Trusts?’
Yes it does, however the allowance figures used within the “Current Tax Year” section are for an individual and you will have to allow for any variation in tax treatment or allowance allocation when using the tool.

‘How are Managed Portfolios treated on CGST?’
The Managed Portfolio is treated like a single asset, so sell values can only be requested at model level. The CGST will then take into account the withdrawal strategy for the Managed Portfolio (i.e. align to target or proportionately) to determine the individual sell values for the underlying assets within the Managed Portfolio.

‘What is the purpose of the underlying asset look-through for Managed Portfolios?’
The look-through capability is available by clicking on the ‘+’ sign next to the Managed Portfolio. This allows you to see the assets which are held within the Managed Portfolio and what the Gain / Loss figures are for information only. You cannot instruct individual sells at underlying asset level within the Managed Portfolio.