

HMRC internal manual

Capital Gains Manual

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CG51565 - Share identification rules for capital gains tax from 6.4.2008: treatment of relevant securities

Certain “relevant securities” are not subject to the pooling arrangements. The reintroduction of pooling from 6 April 2008 meant that a separate rule was again needed for the purposes of Capital Gains Tax. The TCGA92/S106A(6) rule which identifies disposals against acquisitions on a last in first out (LIFO) basis now applies only to “relevant securities” and these are defined for Capital Gains Tax purposes at TCGA92/S106A(10). This rule is subject only to those set out in TCGA92/S106A(4) & (5), the “bed and breakfasting” rule described in CG51560.

This means that disposals of relevant securities are identified with acquisitions in the following order –

- With acquisitions within the 30 days following the disposal on a first-in, first-out basis (FIFO), then

- With acquisitions made before the disposal on a last-in, first-out (LIFO) basis

TCGA92/S106A(5) is modified by TCGA92/S106A(5A) which means that relevant securities acquired when the taxpayer is non-resident or treaty non-resident in the UK are ignored for the purposes of the 30 day matching rule.

Relevant securities are –

- securities within accrued income scheme,
- qualifying corporate bonds, and
- Certain interests in a non-reporting fund

Relevant securities do not form part of a Section 104 holding; TCGA1992/S104(3). Note that this points to the similar definition of “relevant securities” for Corporation Tax purposes in TCGA92/S108 although the meanings of “qualifying corporate bond” for CGT and Corporation tax are slightly different, TCGA92/S117.

Although gains on Qualifying Corporate Bonds are exempt from CGT an identification rule is needed because, for example, to determine when a gain calculated on a conversion of shares into such bonds accrues under TCGA92/S116(10).

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