

New UK CGT tax rule on disposals of UK residential property by UK residents

1. What are the new rules?

From 6 April 2020, new rules introduce revised reporting and accounting obligations for UK residents who make a chargeable gain on the disposal of UK residential property. From this date a new system of payments on account for UK residents must be made and a return submitted to HMRC within 30 days of disposal. The new reporting requirements contained in Finance Act 2019 apply only in relation to Capital Gains Tax. Companies (both UK resident and from 6 April 2019 non-UK resident) are subject to Corporation Tax on capital gains arising on disposal of any UK property.

2. What do I need to do?

If you have a taxable gain to report after 5 April 2020 you must carry out the following within 30 days of completion:

- (i) calculate the gain made on the sale of UK residential property (using estimates if necessary) and report the gain to HMRC; and
- (ii) make a payment of CGT to HMRC (CGT rates for residential property are currently 18% or 28% depending on income levels).

This will be necessary before the full income gains and losses for the relevant tax year are calculated. After the end of the relevant tax year in which the disposal is made, the property gain should also be disclosed though on the annual SA tax return as before; the true amount of CGT due on the property will then be ascertained and the payment already made will be adjusted. This could result in an underpayment or an overpayment.

3. Should I always report?

It is not necessary to file a return within 30 days of the sale if the capital gain is exempt. Therefore, if you are selling a property that has been your only or main residence for the entire period of ownership, you will not need to prepare a return within 30 days because any gain would be covered by the Principal Private Residence relief.

The new rules will principally affect UK residents with second homes, landlords looking to sell their residential property lets or those who are selling a property which has not always been their main residence.

4. What should I do now?

For those already involved in selling a UK residential property, try, where possible, to accelerate the sale process to avoid the new measures. The date of disposal for CGT purposes will be the date of exchange of contracts, not completion so provided exchange happens before 6 April 2020 you will not be affected, notwithstanding completion happens after this date.

There is a significant cash flow advantage to bringing sales forward. For instance, any tax payable on a property sold on or before 5 April 2020 will be due for payment no later than 31 January 2021, whereas for a property sold on or after 6 April 2020 payment will be due no later than 30 days after completion.

For further guidance on these measures, please contact Robert Drysdale or any other member of our Wealth Planning team:



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