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Sales

Capital Gain Tax changes for UK residents

Three significant changes are coming into affect from 6 April 2020 for UK residents selling residential properties:

1. Capital Gains Tax (“CGT”) reporting deadline will be pushed forward to 30 days after the date of completion;
2. Restriction of Principal Primary Residence (“PPR”) relief; and;
3. Amendment to lettings relief.

CGT is usually triggered at the date of exchange of contracts, however, the date of completion will be applied for this rule change. A return will not be required for no gain/no loss disposals or where no tax is due but advisors will only be able to confirm whether a return and payment is required once the documentation has been reviewed and any potential gain calculated.

Please ensure all sales are promptly disclosed as a separate agent authority must be requested from HMRC as the penalties for non-compliance can be significant.

PPR deemed exempt occupation is to be restricted to 9 months from 6 April 2020, whereas previously the last 18 months of ownership were automatically exempt.

Lettings relief is another option which can reduce an individual’s chargeable gain but this relief is also being restricted. Lettings relief could exempt a gain by up to £40,000 and was extremely useful to individuals who moved out a main residence and subsequently let it.

The rule change will mean only those who are living in a property while renting out part of it (e.g. a room) will benefit from the relief. The impact is sellers may find their CGT bill on disposal has increased by up to £11,200.

These three changes mean that sellers are likely experience higher CGT liabilities.

Non-UK residents

Non-resident disposals have been subject to a different reporting regime (NRCGT) for a number of years. Any direct, or indirect, disposal of UK land by a non-resident individual or non-natural entity is subject to NRCGT reporting.

In 2019/20 non-residents were able to request deferment of the payment of their CGT liability to their tax returns (if they were registered for UK tax), meaning the payments could be deferred to the following 31 January rather than within 30 days of disposal. However, this option will be removed for the 2020/21 tax year.

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