

March 2020

## Update for UK resident property owners 30 days to pay capital gains tax from April 2020

From April 2020, all UK residential properties disposed of by UK resident taxpayers – that create a taxable gain for Capital Gains Tax (CGT) purposes – will have to be reported to HMRC within 30-days of the disposal. AND, any CGT payable will have to be paid over to HMRC in the same 30-day window.

### **FAILURE TO REPORT GAINS AND PAY ANY TAX DUE WILL RESULT IN A PENALTY BEING CHARGED.**

#### **What if I sell a property and don't make a taxable profit?**

The new 30-day disclosure deadline only applies, in practice, to property disposals that create a taxable gain. For example, if you sell a buy-to-let property and make a loss on sale you will not have to make a return within the 30-day window.

#### **Does this mean I have to make a tax return every time I sell a property?**

In a nut-shell, yes it does, if the disposal creates a chargeable gain.

#### **How do I work out how much tax is payable?**

As part of the 30-day submission to HMRC, you are required to estimate the amount of CGT payable based on your present understanding of the factors that affect this liability. As your other earnings will determine if the CGT you pay is at 18% or 28% - or a mix of the two – estimating these other earnings and getting the number crunching right will be no mean feat.

During the 30-day window the process will be:

- Prepare a formal computation and a calculation of the CGT due, and submit both to HMRC, and
- Pay any CGT this computation reveals.

At the end of tax year during which you made the disposal you will also need to include the computation again as part of your actual return. This annual confirmation of the gain may result in an over or under payment of tax as the annual return will be based on actual data and not the estimated data used to comply with the 30-day rule.

**We can help with the preparation of the 30-day returns, but you need to advise us IN ADVANCE if you intend to sell a chargeable property**

We can best help you meet the 30-day deadline if we have the required information about the disposal before you sell. In reality, the stepped approach set out below is the way we would prefer to deal with the issues this process will raise:

1. Prior to the completion date, advise us which property is to be sold and the estimated selling price and sales costs.
2. We will immediately draw together the data we have about the property and confirm with you that this is correct. This will not only include the purchase price, but also improvements made. Where we do not hold that information then we will request it from you.
3. We will use all this information to prepare a draft computation (based on our prior knowledge of your tax affairs) and advise you of the possible CGT payable 30 days after the sale completes.
4. When the sale does complete, we can then adjust the numbers for any final changes in the sale particulars and agree the computation with you.
5. Once agreed, we can file the CGT computation with HMRC and advise you when and where you should pay any tax due.

**PLEASE NOTE, WE CAN HELP YOU MEET THESE NEW DEADLINES IF YOU FOLLOW THE ABOVE PROCESS. OTHERWISE, IF DEADLINES ARE MISSED THEN PENALTIES WILL BE ASSESSED BY HMRC**

This is a radical change in the reporting and payment of CGT on chargeable UK residential property sales. Advising us months after sales have been completed will no longer be appropriate for disposals after 5 April 2020.

Please call if you need more information regarding this important tax change.