

*6<sup>th</sup> APRIL 2020*

## UK PROPERTY TAX CHANGES



**6<sup>th</sup> April 2020** is a critical date for UK residential property owners in respect of tax changes. There are numerous and significant changes that UK property owners should be aware of and plan accordingly: the new 30 day filing and payment requirement for CGT on sale of UK properties; reduction of private residence relief and abolishment of letting relief; 100% finance cost restriction in full force from 2020/21.

## New 30 Days Filing & Payment Requirement: Capital Gains on UK Residential Properties

---

From 6<sup>th</sup> April 2020, there is a fundamental change to the reporting of Capital Gains Tax (CGT) for sale or gift of UK residential properties.

There will be a **30-day reporting** and **capital gains tax payment** deadline from the sale/gift date. This reporting requirement is in addition to filing of your annual self-assessment tax return and will be a separate return and computation for each disposal made in the tax year, unless sold on the same day.

You will need to calculate the gain, review available reliefs or losses, as well as estimate the tax payable based on estimated tax bands applicable. Any underpayments of CGT will be subject to interest charges.

### Capital Gains Tax on UK Residential Properties – up to 5<sup>th</sup> April 2020

Currently, disposals of UK residential properties have to be reported only on the Self-Assessment Tax Return and a separate Capital Gains Tax Return does not have to be submitted by UK residents. CGT is payable by 31 January following the end of the tax year, which can be up to 22 months after the disposal. This change significantly reduces the time available to make the CGT payment, as well as increasing the compliance burden for taxpayers.

### Disposal Affected

The new rules will apply to the sale/gift of UK residential properties by both UK Residents and Non-Resident Landlords. This mainly impacts those with second homes or rental properties.

If you sell your main home which you have occupied since its purchase, this will generally be covered by private resident relief. No 30-day CGT return is required where the disposal is at no gain/no loss, there is no tax due or the disposal is exempt. However, this will all have to be carefully checked and analysed, as late filing penalties will be imposed if the Capital Gains Tax Return is not filed on time.

### Late Filing Penalties

The following late filing penalties will be imposed if you miss the deadline by:

- up to 6 months, you will get a penalty of £100
- more than 6 months, a further penalty of £300 or 5% of any tax due, whichever is greater
- more than 12 months, a further penalty of £300 or 5% of any tax due, whichever is greater

Please contact us immediately when making a sale of any residential property so we can calculate the tax position and prepare the tax return and avoid any unnecessary late filing penalties.





## Reliefs Reduced and Abolished: Private Residence Relief & Letting Relief

From 6<sup>th</sup> April 2020, the relief for the final period ownership will reduce from 18 months to 9 months.

Currently, the final 18-month period of ownership prior to disposal of a residential property was eligible for private residence relief (PPR) from Capital Gains Tax, if the property was occupied as your main and only private residence. The exempt period will be reduced to 9 months from 6<sup>th</sup> April 2020.

Moreover, from April 2020, the letting relief, which is available on a residential property, which was once your main home, will be **abolished** and no letting relief will be available.

Therefore, if you are planning to sell your property, you may wish to consider selling before April 2020, as any letting relief that you might have been entitled to up to 5<sup>th</sup> April 2020 will be lost.

Letting relief applies for the period when your property was let (up to April 2020) and the relief is the lower of:

1. PPR Relief Claim
2. Letting Chargeable Gain Amount
3. £40,000

As a result, from April 2020 couples can lose up to £80,000 of letting relief, due to these changes. To some landlords this will be a huge loss.

Going forward, letting relief will only be available if the property is occupied by the owner as well as tenant(s), at the same time. The aim is to continue to be able to let a spare room out within losing out on the exemption.



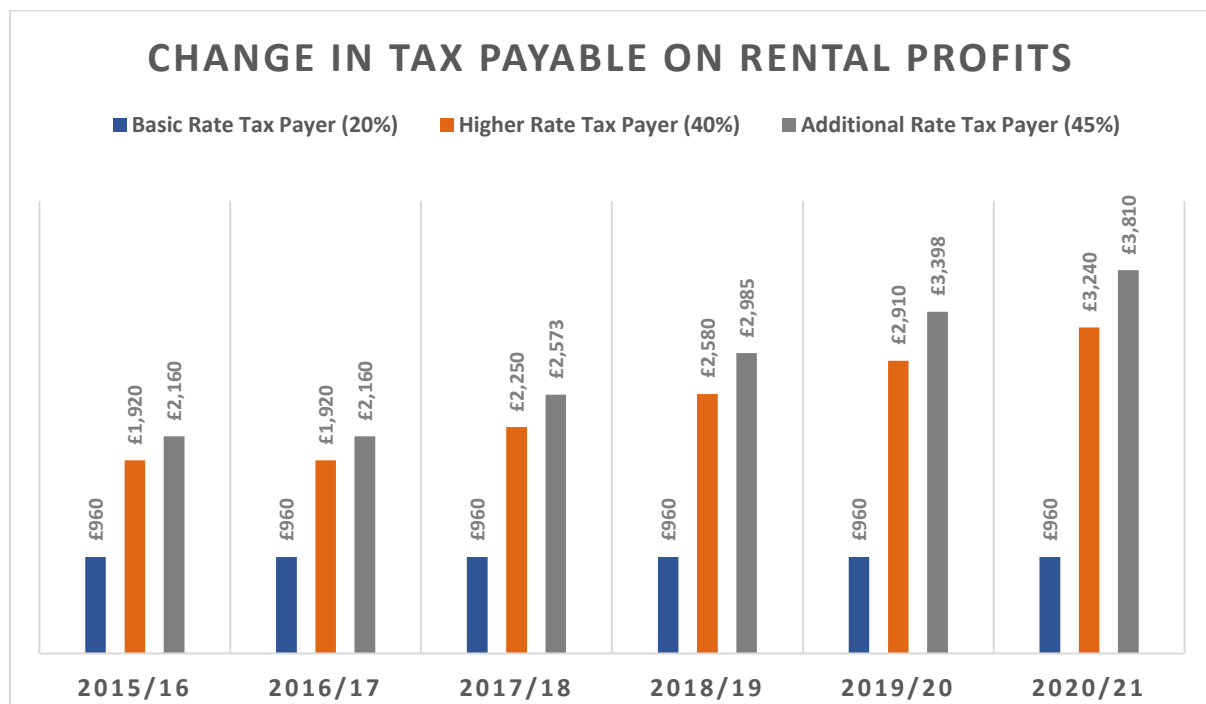
## 100% Restriction in Full Force from April 2020 - Mortgage Interest

The tax year from 6<sup>th</sup> April 2020 will be the first year where landlords will feel the full impact of 100% restriction on finance costs and will only receive basic rate tax relief at 20% on finance costs (including mortgage interest).

This will not only have an impact on the taxable rental profits, but will as well have a knock-on effect on Child Benefit Clawbacks, Student Loan Deductions, Abatement of Personal Allowance, Personal Savings Allowance etc.

Therefore, your tax bill will not only be impacted by the mortgage interest restrictions but also by reliefs no longer being available to higher/additional rate taxpayers, further increasing the tax bill.

On the basis a property owner has the same annual rental income of £11,400 and annual mortgage interest of £6,600 for the tax years from 2015/16 to 2020/21, please see below how the mortgage interest restriction can affect the tax liability for basic rate, higher rate and additional rate tax payers.



Therefore, you should consider your tax liability for the 2020/21 tax year and prepare in advance for your cash flow, especially if you are a landlord with multiple properties.

## Potentially Reclaim Higher Rate Premium - Stamp Duty Land Tax (SDLT)

The new 3% additional rate of SDLT applied from 1 April 2016 on second homes and buy to let investments. Where a buyer pays the additional 3% rate on a second residential property and they sell their main residence within 3 years of this transaction, they would be entitled to reclaim the additional 3% SDLT paid.

For properties sold after 28th October 2018, the refund claim must be filed within 12 months of the sale of that previous main residence, or within 12 months of the filing date of the return relating to the new residence, whichever is later.

For further information please contact:

**Samir Shah Bsc Econ (HON) BFP FCA**

Samir@capitaxfinancial.com

**Ioana Bolache ACA**

ioana@capitaxfinancial.com

**Suraj Patel MSc**

Suraj@capitaxfinancial.com

**Capitax Financial Ltd**

Devonshire House

582 Honeypot Lane

Stanmore

Middlesex, HA7 1JS

**T: +44(0) 203 475 7727**

**F: +44(0) 208 711 6911**

**W: [www.capitaxfinancial.com](http://www.capitaxfinancial.com)**



Member of the  
ICAEW Business  
Advice Service **BAS**