

CAPITAL GAINS TAX (CGT)

Important changes to the deadlines for filing and paying CGT on the disposal of UK property

The deadlines for filing and paying CGT arising on the disposal of an interest in a UK property are changing from 6 April 2020. These changes apply to both UK residents and non-UK residents. These changes don't apply if the residential property has been used solely as the owner's private residence during the time it was owned.

UK residents disposing of UK residential property

The changes for UK residents only apply to disposals of UK residential property.

From 6 April 2020, a UK resident disposing of a residential property in the UK making a gain which is liable to CGT will have 30 calendar days from the date of completion to tell HMRC and pay any CGT owed. They will be able to do this using a new online service.

This doesn't apply if the residential property is the person's home and it's been used solely as their private residence during the time it was owned. This is because the disposal will be covered by Private Residence Relief. You can read about Private Residence relief on GOV.UK.

Non-UK residents disposing of UK property

Non-UK residents must continue to report sales or disposals of interests in UK property or land regardless of whether there is a CGT liability, within 30 days of completion of the disposal.

This includes disposals of residential properties, non-residential properties and indirect disposals.

From 6 April 2020, there is no longer an option to defer payment of CGT via a Self-Assessment return, and any tax owed must be paid within the 30-day reporting and payment period.

From 6 April 2020 non-UK residents will be able to use the new online service, which will replace the current reporting service.

CGT: The new rules from 6 April 2020 Q&A

I'm a UK resident and I want to sell a residential property in the UK, what's changing?

If you are a UK resident and you sell or dispose of a UK residential property which isn't the house where you normally live, then there may be CGT to pay. If there is CGT to pay, then you must tell HMRC about the gain and pay any CGT due within 30 calendar days from the date of completion. Guidance will be published on GOV.UK from 6 April 2020.

What if I don't live in the UK?

If you're a non-UK resident you must continue to report sales or disposals of interests in UK property or land, regardless of whether there is a gain or not. You need to do that within 30 calendar days and from 6 April 2020 you can no longer defer payment via your Self-Assessment return. You must also pay the CGT within 30 days. You can find out more on GOV.UK.

What do you mean by a UK residential property?

The new requirement to tell HMRC and pay CGT applies when the gain is a residential property gain. In broad terms this type of gain will arise on the disposal of an interest in land that included a dwelling at any time e.g. the freehold of a property. The most common type of residential property gain that will arise would be the disposal of an investment property you might have e.g. a holiday home that you own in the UK, or it could be a house that you have inherited or one that you rent out.

Are all disposals of UK residential properties within these new rules?

If you are a UK resident, you don't need to do anything if the gains are not charged to CGT. This could be because they are fully eligible for Private Residence Relief; or because any gain (along with other gains from residential property in the tax year) are within your annual exempt amount; or because the property has been transferred to your spouse or civil partner.

Also, if a UK residential property was acquired to develop and re-sell then this would be a trading transaction and any profits would be chargeable to Income Tax. These profits should be returned in your Self-Assessment Return for the year. If it is not a trading transaction, then the CGT rules will apply.



When do I have to tell HMRC and pay the CGT?

You need to tell HMRC about the disposal and pay any tax due within 30 calendar days from the date of completion.

Does the 30-day period only apply to residential property disposals?

The 30-day period applies when you sell or dispose of a UK residential property. It also applies to direct and indirect disposals of non-residential property by non-UK residents. The sale or disposal of all other assets attracting a CGT liability have the normal Self-Assessment deadlines.

What if I sell the house I live in?

Normally if you sell the house where you live you don't have to pay any CGT. This is because Private Residence Relief is likely to apply. But if you have let out part of your house or used part of it as a business, then you need to check. You can find out more on GOV.UK

How do I tell HMRC about a capital gain and CGT liability on the disposal of a residential property in the UK and how do I pay the tax?

If you are a UK resident and you sell a UK residential property you must tell HMRC about the gain and pay the tax due within 30 calendar days of completion of the sale. From 6 April 2020 HMRC will introduce a new online service on GOV.UK so that people can notify and pay the CGT due on the gain.

What if I'm a UK resident and I sell a property abroad?

If you sell a property abroad and you make a capital gain on it, you should put the information in your Self-Assessment return as normal. If you prefer you can pay the CGT due using HMRC's Real Time Capital Gains Tax Service however you will also still need to put the details on your Self-Assessment tax return. If you sell a property abroad, you don't need to notify and pay any gains on that transaction within 30 days from completion.

What happens if I don't tell HMRC about the Capital Gain on a UK residential property within 30 days and there is a CGT liability?

To help those selling properties familiarise themselves with the change in the rules and a new on-line process, HMRC is allowing a period of time to adjust and will not issue late filing penalties for CGT payment on account returns received late up to and including 31 July 2020.

For UK residents, this means transactions completed between 6 April and 30 June 2020 and reported up to 31 July 2020.

Transactions completed from 1 July 2020 onwards will receive a late filing penalty if they are not reported within 30 calendar days.

Interest will accrue if the tax remains unpaid after 30 days.

If you are experiencing financial difficulties at this time and cannot pay your tax bill you can find more information about the help available on GOV.UK

What will HMRC do to help people during the current Covid-19 crisis?

The Government has announced a broad range of measures designed to support employers, employees and the self-employed during the Covid-19 crises, but it is right that people should pay the tax that they owe, if they are able to do so.

For many people the tax due on the Capital Gain arising on the disposal of a property will mean they have received a substantial amount of money from the proceeds. Most will therefore be in a good position to pay the tax due.

The Government does recognise there will be some who experience difficulty though. And that's why HMRC will be taking a flexible approach to dealing with requests for time to pay, on a case by case basis.

What do you mean by taking a "flexible approach"?

HMRC will take a flexible approach where someone has encountered difficulties. For example, if they have gifted the property or need to find money to invest in their business in response to the Covid-19 crisis. If you are experiencing financial difficulties at this time and cannot pay your tax bill you can find more information about the help available on GOV.UK.

What about other capital gains?

Gains can arise on disposal of lots of other things, so for example works of art, antiques, any personal possessions worth £6,000 or more (but not your car), shares, crypto assets (e.g. Bitcoin), or business assets. Gains on non-UK residential property assets for UK residents continue to be declarable in the Self-Assessment return as normal or by using HMRC's Real Time Capital Gains Tax Service.

Do I still have to complete a Self-Assessment (SA) Return?

There are many reasons why people need to complete a Self-Assessment (SA) return. You should continue to complete the SA return if your circumstances are such that one is required. The SA return requires details of all income and gains for the year so this includes any gains that you may already have reported and paid within 30 days.

If you are reporting a 'one off' disposal and you have no other reason to complete the SA return you will not need to register for Self-Assessment. You no longer need to register for self-assessment solely for the purpose of reporting a residential property disposal

More information about CGT

What is CGT?

CGT is a tax on the gain you make when you sell (or 'dispose of') something (an 'asset') that's increased in value. It's the gain you make that's taxed, not the amount of money received.

Am I taxed on the full gain?

All your capital gains in a year are added together. An annual exempt allowance applies below which no tax is due you can find more information on GOV.UK

What does 'dispose of' mean?

It's not just selling something that counts as a disposal for CGT. A disposal occurs in other circumstances e.g. if you give something away as a gift, swap for something else or if compensation is paid if something is destroyed. A straightforward sale is the most common type of disposal.

CONTACT US

If you have any queries or need any advice, please do not hesitate to contact us on:

Liverpool
Tel: 0151 703 1080
Email: mail@moorenw.co.uk

Manchester
Tel: 0161 832 4281
Email: info@moorenw.co.uk