

## **CGT on UK residential property**

### **(Lecture P1203 – 12.41 minutes)**

For UK residential property disposals completed on or after 6 April 2020, the vendor has 30 days following completion in which to report and pay any CGT due on the disposal (Sch 2 FA 2019).

However, HMRC have issued the following reminder to property owners when they sell:

‘In most cases, you do not need to pay the tax when you sell your main home.’

Essentially, the FA 2019 regime is aimed at disposals of buy-to-let properties, second homes, holiday homes and houses or flats which have not been occupied as a main residence throughout the period of ownership.

Other categories of property disposals which are not within the ambit of these FA 2019 rules include:

- properties where the gain falls within the owner’s annual CGT exemption for the tax year in question;
- properties which have been transferred to a spouse or civil partner;
- properties which have been given to a charity; and
- properties which were acquired to develop and resell (given that the sale will be a trading transaction, the profits from which are chargeable to income tax).

This chapter only focuses on the position for UK residents.

In order to report the relevant transaction, it is necessary to use the new HMRC online service. Note that, unlike NRCGT, this does not involve a special type of tax return. The first step is for the vendor to create a CGT on UK property account. This requires:

- a Government Gateway user ID; and
- a password.

The vendor is then allotted a special CGT on UK property account number, eg. XGCGTP000002024, which indicates that the account has been created so that he (or she) can proceed to the account in order to answer various questions and provide the information requested. Clearly, if the vendor does not already have a user ID, he will have to apply for one.

The following information will be needed in connection with this account and so it is sensible to have these details ready:

- full address of the property and its postcode;
- date when the property was acquired;
- date when contracts were exchanged;
- completion date;
- cost (or value) of the property on acquisition;
- sale proceeds (or value) on disposal;
- the costs of buying, selling and making improvements to the property; and
- any tax reliefs, allowances or exemptions which are available for the disposal.

By answering the questions which HMRC ask in relation to the disposal transaction, a picture is built up of the gain on the property and the tax payable on it. This is the sum which must be settled within the 30-day time limit.

Interest will always be charged if any CGT remains unpaid after 30 days. However, in the light of COVID-19, HMRC have announced that vendors will not receive a late filing penalty for any transactions completed between 6 April 2020 and 30 June 2020 (inclusive). Disposals completed on or after 1 July 2020 will receive a late filing penalty if they are not reported within 30 days.

It will be a good idea for the vendor to print out a copy of the payment on account return for his records. The reason for this is that, once a return has been sent to HMRC, it will not be available to review or amend online. It will be necessary to contact HMRC directly in order to make an amendment to a return which has already been submitted.

In most cases, the vendor will still have to complete a self-assessment tax return by the normal due date. The return requires details of all income and gains for the tax year in question and so this includes gains which have already been reported. In some instances, figures which were originally estimated may be replaced by final amounts so that a further CGT payment or a repayment of CGT will be due.

*Contributed by Robert Jamieson*