

PROPERTY SELLERS WARNED ABOUT CHANGES IN CAPITAL GAINS TAX RULES

Chartered Institute of Taxation warns property owners to plan for a 'seismic change' on how Capital Gains Tax will be payable on residential property capital gains from April 2020.

The Chartered Institute of Taxation recently issued a press release (<https://www.tax.org.uk/media-centre/press-releases/press-release-property-sellers-warned-'seismic'-shift-tax-rules>) alerting property owners who make taxable gains on their residential properties to plan for a 'seismic change' in how tax is paid.

From **6 April 2020** UK residents who sell a residential property that gives rise to a capital gains tax (CGT) liability, e.g. a buy-to-let property, must send a new standalone online return to HMRC and pay the tax due **within 30 days of completion of the sale**. This new filing and payment timeframe is, of course, different from the current position where taxpayers have until the self-assessment deadline (31 January after the tax year in which the disposal is made) to complete a tax return and pay the Capital Gains Tax.

The current system means that, depending on timing of the sale, Gains Tax is due anything from 10 months to 22 months after the sale or disposal. The new 30-day deadline means people will have less time to calculate the Capital Gains Tax, report the gain and pay the tax.

The new return will need to be done online, requiring taxpayers to have a Government Gateway account to either submit the return themselves or to digitally authorise a tax agent to do it for them.

The CIOT has also received confirmation from HMRC (<https://www.tax.org.uk/policy-technical/technical-news/new-Capital-Gains-Tax-30-day-reporting-and-payment-regime-6-april-2020-no>), for the avoidance of any doubt, that the new reporting and payment regime applies only to taxable gains accruing on disposals of UK residential property made on or after **6 April 2020** (in the tax year 2020/21). This means that where contracts are exchanged under an unconditional contract in the tax year 2019/20 (6 April 2019 to 5 April 2020) but completion takes place on or after 6 April 2020 the 30 days filing requirement does not apply. The gain should be reported in the 2019/20 self-assessment return in the usual way.

If, however, exchange of contracts takes place on or after **6 April 2020**, or the contract is conditional and the condition is not satisfied until after 6 April 2020, a return will be required within 30 days of completion of the transaction together with a payment on account within the same 30 days' timescale.

COMMENT:

Those selling second properties or buy to let properties on or after **6 April 2020** will be brought within the scope of these new rules and will therefore need to ensure that they plan ahead to meet the necessary deadlines otherwise could face penalties. They will also need to have an understanding of their income position as the rate of Capital Gains Tax applicable will depend on their income for the whole of the tax year.