

Capital Gains Tax changes from 6 April 2020

There have recently been some significant changes in the way Capital Gains Tax is reported for Residential Property Sales and Gifts on a UK self-assessment tax return.

Crowthers Chartered Accountants are specialist tax advisors and we are here to help!

Disposals before 6 April 2020 – UK residents, individuals and trusts

Capital gains incurred before 6 April 2020 that result in a taxable gain are currently reported on a UK self-assessment tax return. The deadline for reporting any gains and paying any tax due on the gain is due by 31 January following the year of disposal.



Disposals after 6 April 2020 – UK residents individuals and trusts

Capital gains incurred after 6 April 2020 that results in a taxable gain are now obligated to report under the new legislations. A UK land return will need to be completed and submitted within 30 days of the completion date of the disposal along with the payment of estimated tax. In the cases of joint ownership, each owner is required to submit a separate UK land tax return and pay the estimated tax based on their share of the disposal.

Please note, the payment of tax is an estimate at the time of the gain and could change should the individual fall into a different tax band. 18% tax is payable for basic rate taxpayers and 28% tax applies for higher rate taxpayers.

Failure to file within 30 days of completion, will result in penalties.

The payment of the estimated Capital Gains Tax will be treated as a payment on account until processed on the UK self-assessment tax return. The individual/trusts income tax liability and Capital Gains Tax liability for that tax year which the gain falls into will therefore be reassessed on the UK self-assessment tax return. As a result, a refund or additional tax maybe payable with interest being charged/accrued at HM Revenue & Custom's standard rates set.

Exemptions from completing a UK land tax return

- Where the capital gain is covered by the Principal Private Residence relief (PPR), as this was the main residence throughout the duration of the property ownership
- A loss arises on the sale of the property
- The gain is covered by losses brought forward from other disposals
- The gain is covered by the annual exemption amount (2020: £12,300)

The new obligations are aimed at UK let properties; second/holiday homes not covered by PPR. If the property is not residential or situated outside the UK, a UK land tax return is not required on the disposal of the property.

Non-UK Residents – Individuals and trusts

Non-UK residents have been required to file returns within 30 days of completion of a UK property disposal since 6 April 2019.

Please note this applies to residential and non-residential properties and fewer exceptions exist.



Penalties

- £100 late filing penalty issued for late filing immediately
- If the return is over 6 months late, higher of £300 or 5% of the tax due is payable
- If more than 12 months late, a further penalty of either the higher of £300 or 5% of the tax due is payable
- £10 daily penalties will be given for up to 90 days between 3 and 6 months of the filing date

COVID-19 – Update

For many people, Capital Gains Tax arising on the disposal of a property will mean that they will receive a substantial amount of money with which they are able to pay the tax. The Government has said that some may experience difficulty and HM Revenue & Customs will take a more flexible approach on a case by case basis should a request for time to pay is made. This will include situations such as a gifted property where there are no physical proceeds or where the vendor has had to reinvest the money into their business due to the Covid-19 crisis.

HM Revenue & Customs have also stated transactions between 6 April 2020 and 30 June 2020, reported up to the 31 July 2020 there will be no late filing penalties issued.

If you have any questions about the rule changes or require assistance, please do not hesitate to call us on 01386 552644 or email enquiries@crowther.co.uk.