



Property Capital Gains Tax

"Don't just get tax advice, get specialist property tax advice!"

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RITA 4 Rent - specialist landlord tax advisors

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Capital Gains Tax – The Basics

- CGT is a tax on any gain arising from a 'disposal' of an asset
- What is a disposal?
 - Sale
 - Gift
 - Exchange
 - Grant / assignment / surrender of a long lease
- When? – generally on exchange



Capital Gains Tax – The Basics

- CGT is part of the self assessment tax return
- Rate of CGT – 18% within BR band, then 28%
- CGT is payable on 31 January following the end of the tax year in which a disposal is made
- Don't do tax returns? You must still report any chargeable disposal to HMRC, or you may incur a penalty
- Capital losses should be reported too



CGT - Allowable costs

- Costs of disposal – professional fees
- Purchase price
- Related costs of purchase – fees; surveys; SDLT
- Purchase of superior interest (leasehold)
- Extension of lease
- Enhancement costs – capital improvements

Not:

- Demolition costs or the cost of that which is demolished!



CGT - Allowances & Reliefs

- Annual exemption - £11k 2014/15
- Capital losses brought forward / current year
- Private Residence Relief
- Lettings Relief
- Dependent Relative Relief
- Business property reliefs:
 - Business asset rollover relief
 - Gifts holdover relief
 - Entrepreneurs relief



Private Residence Relief

- 100% exemption if throughout ownership:
 - it's been your only home or main residence; *and*
 - you have used it as your home and nothing else
- If 100% relief, no allowable loss
- Possible 100% relief for a part disposal, eg, part of the garden
- Final 18 months always qualify, provided only or main residence at some point



Private Residence Relief

- Relief may be restricted if:
 - the garden or grounds are larger than ½ hectare
 - you've used any part of your home exclusively for business purposes
 - you've let out all or part of your home (or taken in more than one lodger at a time) - but you may be entitled to Letting Relief
 - the main reason you bought it was to make a profit from a quick sale



PRR – Absence from Home

- 100% relief may still be available if the absence arises:
 - On initial purchase – eg, necessary refurbishment prior to moving in – generally up to 12 months
 - On vacating prior to sale – up to 18 months
 - Due to working away from home
 - Due to living away from home for other reasons



PRR – Letting Relief

- If you let out all or part of your home, Private Residence Relief will be restricted, but the remaining gain may be covered by Letting Relief
- The maximum amount of Letting Relief due is the *lower of*:
 - £40,000
 - the amount of Private Residence Relief due
 - the amount of gain you've made on the let part of the property



PRR – More than one Home

- If you own, and live in, more than one property, you can currently elect which is to be treated as your main residence for tax
- If no nomination, HMRC will base the main home for tax purposes on the facts
- Married couple / civil partners may only have one property between them on which private residence relief is available



Recent Changes & Consultations

- Since April 2013, companies subject to the ATED charge have also been subject to CGT on disposal of the property
- From April 2015, non-residents disposing of UK residential property will be subject to a capital gains tax charge – subject of consultation – includes possible withdrawal of PPR election – a full response is awaited



How can I save capital gains tax?

- Purchase / Enhancement Costs
- Annual Exemption (£11,000 in 14/15)
- PPR Relief
- Last 18 months exemption
- Lettings Relief
- Timing of disposals – tax year / losses
- Spouses!



Where do I go from here?

- Property taxation queries? **Just ask RITA.**
- Full landlord taxation service, from simple tax returns, through to detailed specialist advice, multi-property portfolios and limited company services.
- Sole recommended tax advisors of the Residential Landlords Association.
- For further information, please visit www.rita4rent.co.uk or call **0844 4145 120**





Any Questions?

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