

Reporting Requirements

From 6 April 2020, individuals are required to **report and pay any capital gains tax (CGT)** due on the sale of residential property in the UK within **30 days** of completion, a stark comparison to current rules where there may be up to 22 months before reporting is required through the self-assessment tax return.

Please note, the above requirements do not apply in cases where the CGT is reduced to nil where private residence relief or unused losses are available, for example.

These changes contrast with the changes in stamp duty land tax (SDLT) reporting and payment deadlines which were previously set at 30 days and are now reduced to **14 days** for transactions on or after 1 March 2019.

Private Residence Relief

Private residence relief (PRR) is available if a property has, at any point during ownership, been your main residence.

Previously, the final 18 months of ownership has also received a PRR exemption (36 months for disabled persons or those in a care home).

This is set to reduce to only 9 months (with the 36 months rules staying unchanged) from 6 April 2020.

Lettings Relief

Lettings relief is currently available where an individual's previous main residence has been rented after the owners have vacated the property, with relief available of up to a maximum of £40,000 against the capital gain (£80,000 for joint owners).

From 6 April 2020, the qualifying conditions will be reformed to mean the relief is only available in owner-occupied letting circumstances.

Any 'accrued' lettings relief, on rental periods prior to 6 April 2020, will be lost, with no apportionment available for gains attributable to periods pre and post the legislation changes.

Rosie and Jim, who are higher rate taxpayers, bought a house in May 2000 for £100,000. The house was their main residence until April 2015 when they retired to the country. At this point, they decided to rent the property out.

It is now May 2020 and the property has been sold for £600,000. Below is a comparison of the tax implications for selling the property before, and after the legislation changes detailed above:

	<i>Pre April 2020 rules</i>	<i>Post April 2020 rules</i>
Proceeds	600,000	600,000
Cost	<u>(100,000)</u>	<u>(100,000)</u>
Gain	500,000	500,000
Private residence relief	(412,500)	(393,750)
Lettings relief	(80,000)	-
Annual exemption utilised (2019/20 figure of £12,000 used for illustration only)	<u>(7,500)</u>	<u>(24,000)</u>
Taxable Gain	-	82,250
Tax at higher rate of 28%	-	23,030
Main residence relief:		
May 2000 – April 2015 (15 years)	180 months	180 months
Last 18 months / 9 months	18 months	9 months
Total available PRR	198 months	189 months
Total number of months of ownership (20 years)	240 months	240 months

In the above example, Rosie and Jim are paying an additional £11,515 tax each on the sale of their house which, under the old rules, would not have been taxable. The sale must be reported and the tax paid to HMRC by June 2020.

Find out more

For further information, advice and guidance please contact one of our specialists in the tax team:

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This is a general illustrative guide only and individual professional advice should be obtained on specific issues.
Information is believed correct at time of publication, but may alter.

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