



Changes to Capital Gains Tax on Property

Did you know that since April 2020 the rules for calculating, reporting and paying Capital Gains Tax on disposals of UK residential property have **changed**?

Reporting and Paying Capital Gains Tax

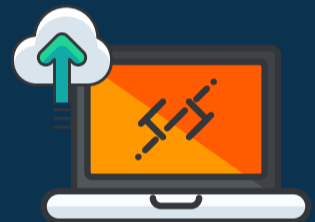
Previously, an individual selling a property and making a gain would have reported this on their annual self-assessment tax return, due by 31 January following the end of the relevant tax year. The Capital Gains Tax due would also have been payable by 31 January. Now, if an individual makes a gain on the sale/transfer of a UK residential property, on which tax is payable, then this needs to be reported to HMRC and the Capital Gains Tax paid within 30 days of completion.



For example, if you sell a buy-to-let property on 1 November 2021 and have Capital Gains Tax to pay, you will now be required to pay this by 1 December 2021, when previously you would have had until 31 January 2023!

Non-UK residents are still required to report UK property sales (residential and non-residential) within 30 days of completion regardless of whether they have any Capital Gains Tax to pay. Any Capital Gains Tax payable is also due within 30 days (previously this could be deferred to 31 January following the tax year).

The gain must be reported online using the "Capital Gains Tax on UK Property" service and penalties may be charged for late filing. This is a different service to the one used for self-assessment tax returns and you need to register for it separately.



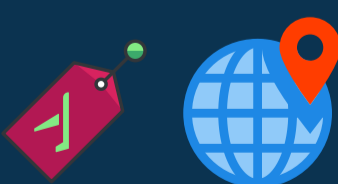
Final Period of Ownership

Until April 2020, if you lived in a property at any time during your ownership, the last 18 months before sale would automatically qualify for exemption from Capital Gains Tax, regardless of whether you actually lived in the property during that period. That final period has now been reduced down to 9 months, so this will increase gains in many cases.



Letting Relief

Under the old rules, if you lived in a property at any time during your ownership and then rented it out to tenants, Letting Relief would apply to exempt part of the gain on sale arising during the let period, up to a maximum of £40,000. Letting Relief has now been abolished, except in cases where you actually lived in the property at the same time as the tenants (i.e. if you rented out a room or a small part of your home).



Private Residence Relief is still available for periods during which you lived in a property, and certain other temporary absences e.g. if you move abroad to work and then return to live in the UK property, even if the property is let out whilst you are away.

If you have any questions or need help calculating or reporting a capital gain to HMRC, please contact Rachel Dale on rachel.dale@chadsan.com

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