



Capital Gains Tax (CGT) on UK Property Service



30 day returns and payments on account

A new system for disposals by UK residents of UK residential property, and for non-UK residents of all UK property.

Non-UK residents must report all sales even if they have no tax to pay or have made a loss.

No return is due if a UK resident sells a UK residential property and no tax is due and/or any gain is covered by the annual exemption, even if the property was not their main home.

No return is due if no tax is payable from the sale of the main home because: -

- The property has been used solely as a private residence during the period of ownership and qualifies for private residence relief.
- There has been no mixed use of the property.
- There has been no period of absence not covered by deemed private residence exemptions.
- The whole of the property has not been let out.

It applies to individuals, trusts, personal representatives, partners of partnerships/LLPs and joint owners making disposals, but not to charities, pension schemes or companies, or on no gain-no loss disposals.

The new stand-alone "CGT on UK property service", is used for disposals where the unconditional contract is made after 5 April 2020. Contracts exchanged before 5 April 2020 are not affected whatever their completion date.

CGT paid using the new service will be allowed as a credit against tax payable under self-assessment (if appropriate).

For UK residents where gains arise, and for non-UK residents on all disposals, a return will be required, and the tax paid within 30 days of completion of a sale. So, for example a sale completed on 5 August 2020 will have to be reported by 4 September 2020.

Taxpayers not already in Self-Assessment should not be required to submit tax returns purely to report a capital gain on sale of a UK residential property – the new stand-alone service will normally be all that is required.

30 day CGT Calculation

The payment on account is the CGT notionally chargeable on the disposal as at the filing date. i.e. 30 days after the completion date.

The notional charge takes into account:



- Capital losses brought forward from previous tax years.
- Current year capital losses arising on disposals (normal CGT rules) up to the filing date.
- But not current year capital gains on non-residential property disposals.
- Assumes the availability of the annual exemption, if it has not been used against a previous UK residential property disposal.
- Requires an estimate of income (to determine which rate of CGT will apply).

Repayments

Returns made under the CGT on UK property service can be amended up to 12 months after the filing date (if not in self-assessment) or once the self-assessment return is filed, or the self-assessment filing date has passed otherwise. The legislation envisages that estimates may be required, and repayments of the on-account payment can be claimed.

If another UK residential property is sold in the same tax year on which a capital loss arises, a further return can (optionally) be made and the loss set against the earlier gain and a repayment claimed.

Losses on disposals of assets that are not UK residential property arising after the first gain cannot be taken into account at this stage.

If a self-assessment return is filed, all gains and losses, whether reported under the CGT on UK property service or otherwise must be included. The overall CGT liability for the year will then be correctly calculated and any CGT paid on account credited.



Practicalities

Setting up a CGT account and the agent registration process

Individuals and Trustees, who need to report a disposal and pay CGT will need to set up a CGT account by logging in their tax account using the Government Gateway. A trust must be already registered under the Trust Registration Service.

- If the individual/trustee already has a Government Gateway account, they will need the user ID and password.
- If not, a Government Gateway account will need to be set up as part of the process.
- Once the CGT account is set up a CGT account reference number will be issued which they will need to pass on to their agent.

The agent will enter in their agent service account, their client's CGT account reference number and UK postcode or country of residence, in the section "ask a client to authorise you" to manage their Capital Gains Tax on UK property account. A link should then be issued by HMRC which the agent will pass on to the client.

The client will then need to access their CGT account to verify the agent using this link.

If the disposal is made during the administration period of an estate by the personal representative, in their capacity as personal representative, a paper version of the return will need to be obtained from HMRC.

Where a UK residential property is appropriated to a beneficiary by the personal representative of an estate and is subsequently sold by the beneficiary, the beneficiary will be responsible for the completion and submission of the CGT on UK property return and payment of any CGT due.

Information required to report via CGT on UK Property Service

- Property address and postcode. The property type is also required for non-UK residents.
- Date the property was acquired and cost of acquisition plus any enhancement expenditure.
- Date the contracts were exchanged.
- The Completion date and disposal proceeds.
- Consideration also needs to be given to entitlement to reliefs, allowances and exemptions.



Other points regarding CGT on UK Property Service

- Where two or more disposals of UK land have the same completion date, the disposals can be reported on the same CGT on UK property return. Please note that the properties must also have exchanged contract dates in the same tax year.
- A CGT on UK property return is not required if the disposal is included on Self-Assessment tax return before the normal filing date for the CGT UK property return (e.g. 5 April 2021 exchange date, 10 July 2021 completion date. SA return filed on 30 June 2021).
- The CGT on UK property return must include a declaration by the taxpayer that the return is, to the best of their knowledge, complete and correct.
- Computations can be attached to the CGT UK property return – good practice with complex disposals (e.g. partial main residence relief or mixed use).
- Joint owners and partners need to file separately.
- A payment reference number will be issued on the confirmation page once the return has been sent. This will be used to pay the CGT due by bank transfer or debit card.
- Complications may arise where the property was acquired prior to 31 March 1982. It may be difficult to calculate the base costs if the acquisition and/or enhancement expenditure are not readily available. It would be advisable to inform the client on what information is needed ahead of proposed sale, if possible.



Penalties for late filing

As for self-assessment, with the exception of the £10 daily late filing penalties which HMRC has stated that it will not usually charge. Late filing will incur the following penalties:

- An initial penalty of £100.
- Further penalty if return six months late: 5% of CGT or £300, whichever is higher.

30 days from date of penalty assessment to appeal.

Penalties for late payment

Same as those for self-assessment.

Late payment will incur a penalty of:

- 5% of the unpaid CGT if not paid within 30 days of 31 January following the tax year in which the disposal occurs.
- Further penalty of 5% of the unpaid CGT if not paid within five months of the above penalty.
- Further penalty of 5% of the unpaid CGT if not paid within eleven months of the first penalty.

30 days from date issue of penalty to appeal.

Interest will be charged on late payments at HMRC's official rate of interest (currently 2.6%).

To discuss this or your CGT needs further, please contact a member of the MHA Monahans Tax Team:

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