

New regime for reporting residential
property sales from 6 April 2020

How Price Bailey can help





From 6 April 2020 the way in which UK residential property sales are reported to HM Revenue & Customs will change dramatically. Those disposing of property need to be aware of the new reporting requirements, which come with a short deadline and payment date, together with changes to how any capital gain arising is calculated. Price Bailey's suggestion to any residential property owners who are either in the process or planning to sell their property(s) is to seek immediate advice to understand how these requirements will affect you.

The new reporting requirements

Since April 2015, non-resident individuals and other entities have been required to complete a Non-Resident Capital Gains Tax (NRCGT) return within 30 days of selling UK residential property.

From 6 April 2020 this regime is extended to the sale of all UK residential property, subject to a small number of exceptions. For property sales which exchange on or after 6 April 2020, the transaction must be reported to HMRC by the person making the disposal using a new tax return. The deadline for this return is 30 days following completion of the property sale.

Note: If contracts on the property sale are exchanged before 6 April 2020, the disposal is regarded as having taken place before the introduction of these new rules.

- This new system of reporting is in addition to the existing Self Assessment tax return regime, which is unchanged. Therefore a disposer who already completes an annual tax return will find themselves reporting the same property disposal to HMRC on more than one occasion.

- Given the short deadline, HMRC are asking that taxpayers complete the new tax return to the best of their ability, with some estimates and assumptions being made if all relevant information is not available. A full Self Assessment tax return may then be required to update the information.
- It will also be necessary to make a reasonable estimate of the Capital Gains Tax (CGT) arising, as tax will also be payable within 30 days. For individuals, this may also bring the need to estimate taxable income for the year to ensure that any CGT is paid at the correct rate.
- If multiple properties are disposed of in the same tax year then a return and payment on account must be made for each disposal.

Who does this apply to?

In summary, if you satisfy all of the conditions outlined below, you will be required to declare any relevant disposal to HMRC within 30 days of the completion date of the sale, and make a payment on account of any CGT arising:

- You are UK resident (and not taxed on the remittance basis in respect of any overseas gain concerned)
- You have exchanged and completed on the disposal of a residential property on or after 6 April 2020
- The property has not been your main residence for the whole period of ownership, and;
- You have made a gain on the disposal, which is chargeable to CGT.

If disclosure is not made to HMRC within 30 days of completion, late filing penalties will be charged. The penalty can reach **£1,600 per return**, if filed more than 12 months late. HMRC will also charge interest if the tax is not paid on time.

Since April 2015 non-residents have been subject to a similar scheme as outlined above. From 6 April 2020 the two systems are aligned and so a non-resident will also be required to make a payment on account of any CGT arising within 30 days.



Principal Private Residence (PPR) relief

- If you sell a property which at some stage you have used as your main residence, PPR relief is available to reduce any gain arising for the time it has been lived in.
- Currently, this relief is extended to include the last 18 months of ownership but for disposals on or after 6 April 2020, this reduces to the last 9 months of ownership.

Lettings relief withdrawn

- If a property which has been used as a main residence has also been let to tenants, then it is possible to claim 'lettings relief' which can reduce a capital gain by as much as £40,000 per taxpayer.
- From 6 April 2020, this relief is effectively withdrawn as it will only be available for periods where the owner is also in occupation of the property (in other words, it moves from being a 'lettings relief' to a 'lodger relief').

Individuals who are in the process of selling a property which has been lived in for some but not all of the period of ownership, may wish to accelerate the sale so that it exchanges prior to 6 April 2020. This may ensure that a larger amount of PPR relief is available together with accessing lettings relief. These comments are made solely from a tax perspective.

How Price Bailey can help

Price Bailey have a breadth of experience in dealing with property taxation. Our expert advisers are able to guide taxpayers through what the changes mean for them and will be on hand to complete the necessary tax returns to HMRC.

Get in touch

If you are unsure what these changes mean for you and require any further information on any of the matters discussed above, then please get in touch.

Bishop's Stortford	+44 (0) 1279 755888
Cambridge	+44 (0) 1223 565035
Channel Islands	+44 (0) 1481 715669
City of London	+44 (0) 2070 652660
Dubai	+971 (0) 4878 6360
Eastern Caribbean	+44 (0) 8004 346460
Ely	+44 (0) 1353 662892
London Mayfair	+44 (0) 2039 090480
Newmarket	+44 (0) 1638 666160
Norwich	+44 (0) 1603 709330
Sawston	+44 (0) 1223 578787

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