

January 2023

## **Capital Gains Tax on Residential Properties owned by UK Residents**

With effect from 6 April 2020 the rules on payment of CGT on the profit on residential property sales changed. **This is not an increase in tax** but a change in when the tax is due. The residential rate of CGT remains 18% for basic rate tax payers and 28% for higher rate tax payers, with a non-residential rate of 20% where a property has not been inhabitable throughout the period of ownership, ie for derelict properties.

The changes have no impact if you are selling your Principal Private Residence (PPR) and the property has been your PPR throughout your ownership of it.

They apply to the sale of second homes, rental properties and PPRs which have not always been your PPR, eg property which you have both occupied as a main residence and rented out or used as a holiday home. It could apply if you are selling a property you inherited which has increased in value since probate.

In the past the tax would have been payable by 31 January following the sale. It is now due 60 days after completion. It should be noted at this point that in terms of calculating the profit on disposal the relevant date is the date of exchange of contracts. The gain must be reported using a Capital Gains Tax on UK property account, for which you will require a Government Gateway.

The “notional” tax due must be calculated and paid at this time although it may not be possible to calculate it entirely accurately at that point if the seller is still locating cost information or unsure of their other income for the year (required in order to calculate the applicable rate of CGT).

Sellers who are already within self assessment will also include the transaction on their normal self assessment tax return and pay any additional CGT/claim a refund of overpaid CGT. This may be subject to interest if HMRC are not satisfied that reasonable estimates were used when the original submission was made.

It is important that you advise both your accountant and solicitor if you are planning the sale of a property which may give rise to a CGT charge.

Should you have any queries relating to the above please do not to hesitate to contact Steve or Vicki.

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