



## SALE OF UK PROPERTY - TIMES ARE CHANGING

**You may now have to pay CGT to HMRC and file a tax return within 30 days of selling a property. This Tax Update explains why and what you need to know.**

From 6 April 2020, HMRC expect taxpayers to pay the tax due on the sale of a UK residential property and file a return within 30 days of the sale. If you are non-UK resident, this 30 day limit applies to all real estate in the UK.

This is a significant change as previously the tax was payable in the January following the tax year of the sale. Taxpayers now need to consult with their tax advisers before selling UK property to see if any tax charge will arise on the sale and to ensure HMRC are notified by filing a Capital Gains Tax Return and paying the tax within 30 days. A failure to comply with the new rules can result in interest and penalties. The Capital Gains Tax (CGT) rate on residential property will in most cases be 28%.

This note provides fuller details on the changes, indicates what action is required and explains how Rawlinson & Hunter can help you manage the process. There are separate rules for taxpayers who reside in the UK and for non-UK residents who sell property located in the UK. Please contact your usual Rawlinson & Hunter tax adviser for fuller details.

### Taxpayers Residing in the UK

Taxpayers who reside in the UK must pay any CGT due on the sale of UK residential property within 30 days of the completion of the sale. This provides only a short window to decide if there is a gain (and to compute it) and so vendors should consult with their tax advisers as early as possible in the sale process.

In many cases, there will be no CGT due on the sale of a taxpayer's main home due to the availability of the CGT relief known as the principal private residence or PPR relief. Where the relief shelters the whole of the gain, no tax will be due and there is no need to notify HMRC. However, PPR relief may not cover the whole of the gain – for example because the grounds of the house were too extensive to benefit fully from the relief or perhaps because part of a garden was sold before a sale of the house. In such cases, CGT must be paid to HMRC within 30 days of completion. Homeowners would therefore be advised to seek clarity on whether they fully qualify for PPR relief before they complete their sale.

The new payment regime will apply to other sales – such as the sale of second homes, the sale of residential property which is let and (if the property has increased in value since death) the sale of inherited residential property. The new rules do not apply to the sale of commercial property. No tax is due on the transfer of properties between spouses. These provisions do not apply to companies who are chargeable to corporation tax, to disposals made by a charity or the disposal of any pension scheme arrangements.

November 2020

Rawlinson & Hunter LLP

Eighth Floor  
6 New Street Square  
New Fetter Lane  
London EC4A 3AQ

And at

Q3, The Square  
Randalls Way  
Leatherhead  
Surrey KT22 7TW

T +44 (0)20 7842 2000  
F +44 (0)20 7842 2080

hello@rawlinson-hunter.com  
www.rawlinson-hunter.com

Partners

Mark Harris FCA  
David Barker CTA  
Kulwam Nagra FCA  
Paul Baker ACA  
Andrew Shilling FCA  
Craig Davies FCA  
Graeme Privett CTA  
Chris Hawley ACA  
Phil Collington CTA  
Toby Crooks ACA  
Michael Foster CTA  
Paul Huggins ACA  
Trevor Warmington CTA  
James Randall FCA  
Kristina Volodeva CTA  
David Kilshaw  
Alan Ive CTA  
Catherine Thompson FCA

Directors

Lynnette Bober FCA  
Karen Doe  
Lynne Hunt FCA  
Gillian Lawrence CTA  
Nigel Medhurst AIT  
Al Nawrocki CTA  
Mark Shaw  
Tracy Underwood CTA  
Yueling Wei FCCA  
Sarah Fernando CTA  
Hiral Kanzaria ACA CTA  
William Watson FCA

Consultants

Chris Bliss FCA  
Philip Prettejohn FCA

## Payment of the Tax

Traditionally taxpayers have paid their CGT bills in January after filing their annual tax returns. However, for the sale of UK residential property within the new rules HMRC introduced a whole new infrastructure. Taxpayers have to register with HMRC and there is a new online service to report the tax due. The reporting of the gains falls outside the usual self-assessment system and a new style “CGT on UK property account” must be created.

Rawlinson & Hunter can help with this process, but again taxpayers should contact us early in their sale plans so that there is no slippage. If the tax is not paid on time, HMRC will levy interest and possibly penalties. The procedure requires CGT to be paid on the basis of a notional CGT computation. This is then later adjusted – for example to take account of losses from the disposal of other assets later in the same tax year. You do not have to pay the CGT within 30 days if the gains fall within your tax free CGT allowance (£12,300 for 2020/21) or if you have realised losses to shelter the gain. The CGT paid 30 days after the property sale is treated as a payment on account of the total tax liability for the year. We can assist you with these computations to ensure HMRC collect the right amount of tax at the right time.

## Non-UK Resident Vendors

If you do not reside in the UK, you must file a CGT return on the disposal of any UK property within 30 days of sale (even if there is no gain or you have made a loss). You still have to pay the UK land disposal CGT charge on a gain arising on a disposal of a UK residential property. Any tax due on a gain is payable within 30 days of completion.

In the case of non-residents the rules are wider than those applying to UK residents. They apply also to the sale of commercial property in the UK and also on the sale of assets which derive at least 75% of their value from UK land. This will include, for example the sale or liquidation of an offshore company which owns a UK property. There are special rules in the legislation for computing the gain including re-basing of values to the dates the legislation was introduced.

Any tax due is again payable within 30 days of completion. Non-residents may not normally have any interaction with HMRC so they may be surprised to learn that they have a reporting obligation and a tax bill to pay within 30 days of a sale. There is an on-line reporting service for non-residents and we can assist with this.

## In Summary

Most taxpayers are used to paying their CGT once a year, normally in January. Where the gain arises from the disposal of property they now need to think “pay the tax” on the day of completion and should seek advice. Property as an asset class has its own tax payment regime.

Please contact your usual Rawlinson & Hunter contact should you require further information or assistance with the above, or any of those listed below.

### **Andrew Shilling, Partner**

*Email: [andrew.shilling@rawlinson-hunter.com](mailto:andrew.shilling@rawlinson-hunter.com)*

*Direct Dial: +44 (0) 20 7842 2135*

### **Tracy Underwood, Director**

*Email: [tracy.underwood@rawlinson-hunter.com](mailto:tracy.underwood@rawlinson-hunter.com)*

*Direct Dial: +44 (0) 20 7842 2178*

### **Stephen Yates, Senior Manager**

*Email: [stephen.yates@rawlinson-hunter.com](mailto:stephen.yates@rawlinson-hunter.com)*

*Direct Dial: +44 (0) 20 7842 2205*

### **David Kilshaw, Partner**

*Email: [david.kilshaw@rawlinson-hunter.com](mailto:david.kilshaw@rawlinson-hunter.com)*

*Direct Dial: +44 (0) 20 7842 2129*

*This publication and all other recent Rawlinson & Hunter LLP updates, including technical support on COVID-19 related initiatives, please see the technical updates section on our website [here](#).*

*Additionally, to assist our clients and readers in sourcing relevant information about government initiatives, financial assistance, guides and support eligibility, we have set up a dedicated COVID-19 Business Relief website containing technical resources and insights. We will be updating [this hub](#) regularly as new information becomes available. View our [COVID-19 resource hub here](#).*

*Rawlinson & Hunter is the trading name of Rawlinson & Hunter LLP, a limited liability partnership registered in England & Wales with registered number OC43050. The term partner, when used in relation to Rawlinson & Hunter LLP, refers to a member of the LLP. This communication contains general information only, and Rawlinson & Hunter LLP is not rendering professional advice or services by means of this communication.*