

## **If you sell your rental property you now need to pay your tax within 30 days**

UK resident individuals will face a dramatic change next year impacting the tax paid on residential property sales.

The measure seeks to collect this tax significantly more quickly. For personal taxpayers, capital gains tax (CGT) is paid anywhere between 10 months and 22 months after the date of sale. However the liability to CGT on gains on disposals by UK residents of residential property is being brought forward to 30 days after the date of disposal. The change takes effect for disposals on or after 6 April 2020. It essentially strips out the initial computation of gain from the self assessment system and makes it a standalone report and payment (although self assessment taxpayers will continue to also report the gain on their tax returns).

A separate return must be made within 30 days of the date of disposal (using the completion date rather than exchange of contracts as the trigger date even though exchange of contracts is the date of sale for CGT). No returns are required for no gain/no loss disposals and for disposals where no tax is due. The return must include information to be specified separately and a declaration by the person making it that the return is to the best of the person's knowledge correct and complete.

Tax must be calculated and paid on the disposal, ignoring any other CGT disposals which are not subject to these rules. The tax is due on the date that the return is due; that is, 30 days after the disposal. The amount paid is referred to as a payment on account of the CGT for the year.

Given the short timescales, it is important that disposals are notified to advisers at the appropriate time. We therefore require that all clients contact us in the event of a planned sale, as this will give us more time to gather the relevant information and to advise you about the potential tax payable, so that funds can be reserved from the proceeds of sale to pay the tax due.

Clearly, for many of the 1.2 million disposals of residential property in an average year (an average that has remained remarkably stable over the last five years or so) there will be no CGT liability on the disposal having been occupied throughout the period of ownership as the main residence of the owner or owners. However, absence working abroad or elsewhere in the UK, divorce or separation and other common issues in families today may affect entitlement to relief.

### **Conclusion**

The Treasury's desire to collect tax more quickly is understandable. However, the signs are already there in relation to the relatively small number of non-resident disposals – this is a difficult change to manage in practice. One must hope that HMRC is willing to apply a light touch to penalty provisions in the early years while the rules become more familiar.

As usual, If you have any queries, or require any further information, then please do not hesitate to contact contact Cliff, Duncan, Peter, Katie, Nigel, Adam or Paul on 01327 358866, or email us using [cliff/aled/duncan/peter/katie/nigel/adam/paul @cedas.co.uk](mailto:cliff/aled/duncan/peter/katie/nigel/adam/paul@cedas.co.uk).

