



CHARTERED
ACCOUNTANTS

Property tax changes

There are significant changes arising to the taxation of properties for individuals. We have outlined below the following changes:



Principal private residence (PPR) relief

Current position

PPR relief is a popular relief for those who are selling a property that they have lived in as their main home. PPR relief exempts all or part of the gain made in periods of actual occupation.

The current rules state that if the owner has occupied the property as their main residence at some stage of ownership, then the final 18 months of ownership qualifies for relief from capital gains tax.

Change from 6 April 2020

The final deemed period for PPR relief will be reduced from 18 months to 9 months.



Lettings relief

There is a separate relief available to owners relating to periods where the property was let out, and the owner was not in occupation or deemed occupation. This is called lettings relief and is available in addition to PPR relief. Gains arising in the lettings period could be reduced by up to a maximum £40,000.

Change from 6 April 2020

Lettings relief will be restricted to situations where the owner was in shared occupation with the tenant e, g. tenant is renting a room in their house. This change will make it much more difficult to claim lettings relief and, in most cases, letting relief will no longer be available from 6 April 2020.



Buy-to-let mortgage loan interest

In the tax year ended 5 April 2021, there will be no deduction allowed for mortgage interest and related finance costs. You will only get a 20% tax relief against any taxes due. As the cost will no longer be a deductible expense, individuals who pay tax at the higher or additional rate will not benefit from an additional relief of effectively 20% (higher rate taxpayers) or 25% (additional rate taxpayers).

Companies will not be subject to the above restriction and will still be able to deduct the mortgage interest or finance costs from profits.



Capital gains tax (CGT)

Residents

Presently: When a CGT liability arises on the disposal of a residential property, it is reported via your self-assessment tax return and paid by 31 January following the end of the tax year in which the disposal is made.

From April 2020: A CGT return stating the residential property gain will need to be submitted and any tax paid over to HMRC within 30 days of completion. The gain would still be reported on the tax return and adjustments can be made at this point. In practice, while tax may be calculated at 28%, some of the gain may fall within the 18% (basic rate taxpayers). This would not be known until the tax return has been completed.

In the event where there is no gain or there is a loss, a submission is not required.

The above reporting return only applies to disposals by UK residents of residential property, other disposals are reported on the self-assessment tax return relating to the relevant tax year.

If the tax return is filed late then late filing penalties will apply and interest will be due on any tax you owe.

Non-residents

Non-residents realising any chargeable gains will be taxed in this manner:

- Non-resident companies will be subject to completing corporation tax returns and any capital gains will be taxed through these returns at the rate of 19%
- Non-resident individuals disposing of UK property or land will be subject to the same filing and payment rules as UK resident individuals above.

How we can help

There are many changes that are coming into effect from 6 April 2020 which may leave you with a sense of uncertainty, we here at Grunberg & Co are happy to help with any of your queries.