

Property Bulletin

April 2023

Are you an overseas owner of property? Make sure you disclose your ownership

There is growing concern that many overseas owners of UK property have not properly declared ownership and could have substantial tax liabilities.

PLUS:

- Capital Gains Tax Annual Exemption – What is changing?
- Could your property portfolio result in an Inheritance Tax Bill?
- Leasehold could end, according to Government

Welcome to the latest Grunberg & Co Property Bulletin, our publication to keep you up-to-date with news from the property sector and the accounting and financial services that our firm can offer you and your clients.

If you would like to find out more about Grunberg & Co's tax and accountancy services for you and your clients, please get in touch with us by calling +44 (0) 20 8458 0083 or emailing alexk@grunberg.co.uk

Capital Gains Tax Annual Exemption – What is changing?

Property investors should consider the impact of changes to the Capital Gains Tax (CGT) Annual Exemption from April 2023.



Landlords and property investors may face larger CGT bills in future due to this tax-free exemption dropping in April from £12,300 to £6,000.

CGT is a tax on a person's profit/gains when they sell something that has increased in value. It is the gains that are taxed rather than the amount of money the person receives in total. The tax is levied on any assets that are sold, including properties or investments.

This change is especially important for property sales as the rate of CGT paid is higher than

regular assets. If you sell a property and make a gain as a basic taxpayer you pay CGT at a rate of 20 per cent, whilst higher and additional rate taxpayers pay at a rate of 28 per cent.

Property sellers must also report and pay CGT within 60 days of completion, which means that from April, they need to calculate what they owe in tax by reducing the CGT Annual Exemption amount to the new lower level.

Need advice on CGT issues, **call us today for advice from our experienced team.**

Could your property portfolio result in an Inheritance Tax Bill?

While the Chancellor, Jeremy Hunt, froze the Inheritance Tax threshold at £325,000 until 2026, rising property prices have pushed more families and individuals into the bracket.

Official data shows that families paid a record £6.4 billion in IHT in the 2022/23 tax year.

If this trend continues, projected IHT tax receipts by 2027/2028 are predicted to be as high as £45 billion, as 6.7 per cent of deaths will generate IHT liabilities (up from 4.1 per cent in the current tax year).

Estates over the Nil-Rate Band (£325,000) can be taxed at a rate of 40 per cent. However, two additional rules apply:

- **Residence Nil-Rate Band:** Main residences benefit from an additional £175,000 Residence Nil-Rate Band if it is passed to direct descendants – additional homes do not.
- **Spouse Transfers:** If you have any unused allowance when you pass on, this can be passed to a surviving spouse or civil partner.

Thanks to these allowances couples can pass on as much as £1 million without their estate becoming liable for IHT.

If you own additional properties alongside your main residence, these will not benefit from the Residence Nil-Rate Band, so you may need to explore other routes to minimise potential IHT liabilities.

It is paramount that anyone looking to leave property or assets ensures they have an updated Will and has received professional tax advice.

Need advice on Inheritance Tax issues? Contact us today.



Are you an overseas owner of property? Make sure you disclose your ownership

Six years after former prime minister David Cameron promised to crack down on foreign property owners, HM Revenue & Customs (HMRC) has highlighted the widespread avoidance of a deadline to register the real ownership of properties in the UK.

Despite fines and sales restrictions, many owners still need to declare their properties' true ownership with the Register of Overseas Interests.

Originally announced six years ago, the legislation was introduced last August after being fast-tracked through Parliament.

It was part of an economic crime bill aimed at preventing proceeds of crime from being laundered through properties in the UK.

This register is designed to clamp down on the suspected £100 billion of illicit finance channelled through the country.

Under the rules, all retrospective purchases of properties and land by overseas entities since 1999 must be entered into the register.

However, only 19,510 out of a total of 32,440 registered overseas organisations have declared their beneficial owners to HMRC.

It is not known how many of those organisations have not made declarations simply because they have been dissolved or struck off. The number could be up to a tenth of the total. Another 5,000 are said to be "pending application."

If you are an overseas owner of UK property, you must register to avoid substantial penalties or further investigation in future.

Need to register an overseas property? Get in touch today.

Leasehold could end, according to Government

Michael Gove, the Secretary of State for Housing and Levelling Up, has promised to look at the possibility of abolishing leasehold properties in the UK.



Currently, some 4.6 million leasehold properties exist in Britain. Under the leasehold system, the leaseholder does not own the land or the property it is built upon.

They typically pay ground rent to the freeholder on an annual basis. The property is leased from the freeholder for a set period, such as 99 years.

However, as time elapses the property can be more difficult to sell given the limited years on the lease.

Gove described the leasehold system as 'outdated' and pointed out that the system should be that if someone buys a property, they should own it outright.

It also remains unclear how the leasehold system would be ended as many leasehold properties are part of a larger building, sometimes combining residential properties with commercial spaces.

Attempting to divide up land ownership between former leaseholders would have huge legal and financial ramifications.

Without viable and workable alternatives available, current leasehold arrangements will continue for some time, but this is an area of the industry that investors should review regularly.

Have you invested in leasehold properties? Speak to us for advice.