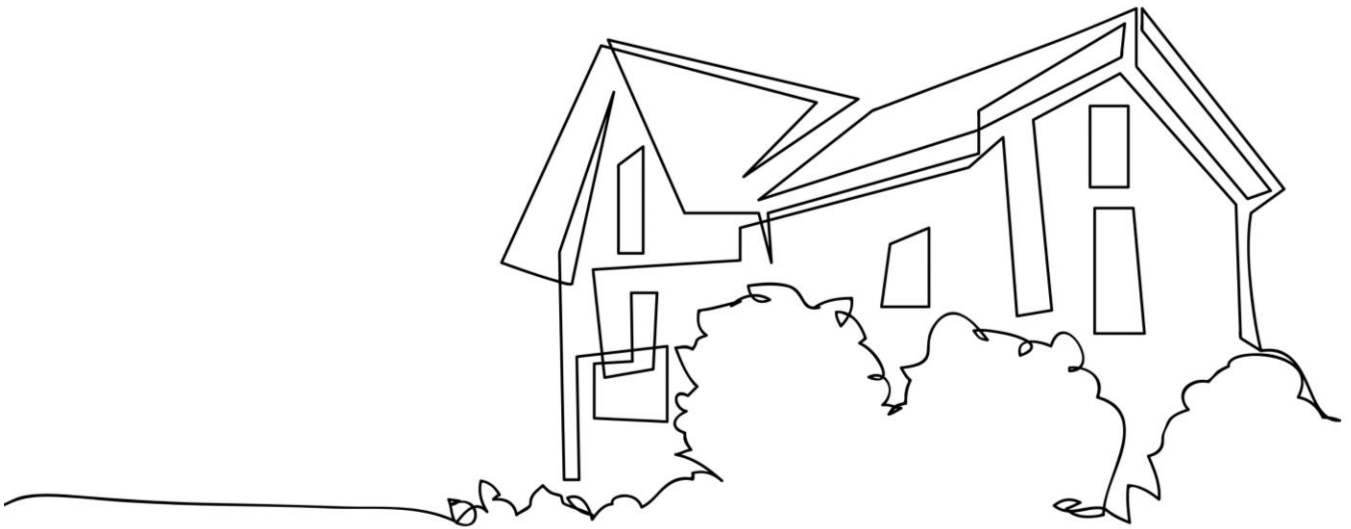


## 30 DAYS TO PAY CAPITAL GAINS TAX FROM COMPLETION OF SALE... HAS NOW BEEN EXTENDED TO 60 DAYS



As announced in the October 2021 Budget, disposals of all UK residential properties that create a taxable gain for Capital Gains Tax (CGT) purposes, will have to be reported to HMRC within 60 days of the disposal. Any CGT payable will have to be paid over to HMRC in the same 60 day window. Generally, this will include sales of second homes and buy-to-let properties and UK residents disposing of a mixed use property (but only the portion of the gain that is the residential property gain is required to be reported).

### **What if I sell a property and do not make a taxable profit?**

The 60 day disclosure deadline only applies to property disposals that create a taxable gain. If you sell a buy-to-let property and make a loss on sale you will not have to make a return within the 60 day window. This is the case when the seller is a UK tax resident. The rules are slightly different when the seller is a non-UK resident. We can assist in both of these cases.

### **Does this mean I have to submit a tax return every time I sell a property?**

No, but you will need to do a CGT calculation for all residential property disposals, although formal reporting is restricted to details of any property disposal that creates a chargeable gain. Penalties may apply if you file outside the 60 day window.

### **Penalties**

A summary of the penalties enforced when the return is late are as follows:

- Up to 6 months late, penalty of £100
- More than 6 months late, a further penalty of £300 or 5% of any tax due, whichever is greater
- More than 12 months late, a further penalty of £300 or 5% of any tax due, whichever is greater

## How do I work out how much tax is payable?

As part of the 60 day submission to HMRC, you are required to estimate the amount of CGT payable based on your present understanding of the factors that affect this liability. In particular your other earnings will determine if the CGT you pay is at 18% or 28% - or a mix of the two – estimating these other earnings and getting the number crunching right will be no mean feat.

During the 60 day window you will need to: prepare a formal computation and a calculation of the CGT due and submit both to HMRC, and pay any CGT the computation reveals.

## Self-Assessment Return

At the end of tax year during which you made the disposal you will also need to include the computation again as part of your actual return. This annual confirmation of the gain may result in an over or under payment of tax as the annual return will be based on actual data and not the estimated data used to comply with the 60 day rule.

## When to contact us so we can assist you

Advise us in advance if you intend to sell a chargeable residential property.

We can help you meet the 60 day deadline if we have the required information about the disposal of the sale. The stepped approach set out below is our suggested timeline for gathering and reporting each gain:

1. Prior to the completion date, advise us which property is to be sold and the estimated selling price and sales costs.
2. We will immediately draw together the data we have about the property and confirm with you what extra information we need from you. This will not only include the purchase price, but also capital improvements made since you bought the property and how it was used during the time owned.
3. We will use this information to prepare a draft computation and advise you of the possible CGT payable 60 days after the sale completes.
4. When the sale does complete, we can then adjust the numbers for any final changes in the sale particulars and agree the computation with you.
5. Once agreed, we can file the CGT computation with HMRC and advise you when and where you should pay any tax due.

## What next?

To understand the tax implications and to meet these reporting regulations, we will need to move quickly to meet the 60 day deadline. Therefore, contact us immediately if you are planning to sell.

Call a member of our tax team on **01753 888211** or email **info@nhllp.com**, we would be pleased to assist.