



HMRC recently published a list of common mistakes made returning CGT information on tax returns. They also highlight a few misconceptions regarding the reliefs available. This alert summarises the comments made.

## **Annual Exempt amount (AEA)**

Ensure that the correct AEA (also known as your tax-free allowance) is applied. The AEA reduced from £12,300 to £6,000 for individuals for disposals from 6 April 2023. This will need to be reflected on the 2023-24 Self-Assessment returns.

The AEA will be reduced to £3,000 for individuals for disposals from 6 April 2024. This will need to be reflected on the 2024-25 Self-Assessment returns.

Trustees and Executors have different AEAs

## **Property disposals**

### **UK residential property disposals**

If you are a UK resident and you dispose of an interest in UK residential property and there is Capital Gains Tax to pay you will have to submit a UK Property disposal return and pay the Capital Gains Tax due within 60 days of completion.

This also applies if you are non-resident.

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There are additional filing requirements for non-residents. In some cases, a Self-Assessment return will also be required for the year.

## **Private Residence Relief (PRR)**

Since 6 April 2020, if the property qualifies for PRR, the final exempt period of ownership that qualifies for relief in the majority of circumstances is only 9 months. This period should only be counted once in computing relief and should not be duplicated.

## **Lettings relief**

Since 6 April 2020 letting relief has been restricted. It is only available if you qualify and have made a claim for Private Residence Relief on your main residence and you have let part of that main residence.

Letting relief does not apply where the whole of the dwelling house was let for a time.

## **Business Asset Disposal Relief (BADR)**

HMRC offers the following pointers regarding the application of, and claims for, this relief – previously known as Entrepreneurs' Relief.

- The £1 million is a lifetime limit, not an annual limit.
- Amounts claimed under the previously named 'Entrepreneurs' Relief' are deductible from the lifetime limit.
- The £1 million lifetime limit applies to deferred gains brought into charge.
- Earnouts from deferred consideration based on the Marren v Ingles principles are not considered as 'business assets' so BADR is not available.
- BADR is different from Investors' Relief.

## **Investors' Relief**

Investors' Relief (IR) is different to Business Asset Disposal Relief (BADR). The lifetime limits and the qualifying conditions are therefore different.

If you are able to make a claim to BADR then you are highly unlikely to be able to make a claim for IR for the disposal of the same asset.

It is unlikely that a claim can be made if you or someone connected to you has or has ever been an employee of the company that you are disposing of shares in.

## **We can help**

Please call us on **01753 888 211** or email **info@nhllp.com** if you need guidance with any of the issues raised in this Broadcast. We would be happy to help.