



FACT SHEET: JULY 2020

Reporting and paying tax on disposals of UK residential property

Late filing penalties to start from 31 July

Measures were introduced on 6 April 2020 which bring forward reporting and paying tax on certain UK property and land disposals where Capital Gains Tax (CGT) is payable.

Gains entirely covered by the main residence exemption will not therefore come within this new regime.

New procedure for reporting gains and paying CGT

- UK resident disposing of a UK residential property on which a taxable gain arises will have 30 days from completion to report the disposal with a computation of the taxable gain to HM Revenue & Customs and pay the associated CGT due.
- A non UK resident (already within the “30 day” return deadline for direct and indirect disposals of UK residential and non-residential land and property) will no longer have the option of paying the CGT due in a tax return under Self Assessment. The CGT due must now be paid within 30 days of completion.
- Failure to file a return and pay the CGT due by the 30 day deadline may result in interest charges and penalties.
- HMRC has allowed more time to report disposals which completed on or after 6 April 2020 and before 1 July 2020. Penalties will not be charged if these disposals are reported before 31 July 2020.
- Penalties will now be charged if disposals completing on or after 1 July 2020 are not reported within 30 days of completion.

DISPOSAL OF UK LAND July 2020

- Interest will be charged on any CGT not paid within 30 days of completion.
- A new HMRC online service has been set up to report the gains and pay the CGT.

These new measures are relevant to taxpayers within the scope of UK CGT

- This includes the following
 - individuals
 - personal representatives
 - trustees
- Companies, charities and pension schemes outside the scope of these rules.
- Different rules apply depending on whether a taxpayer is UK resident or non UK resident.

The new HMRC online service - “capital gains tax on UK property”

- The taxpayer needs to create an online HMRC “capital gains tax on UK property account” using their own Government Gateway account. This will need to be created if they do not already have one.
- An agent can be authorised to manage the account and property returns. This is completely separate from the online self-assessment system.
- A “30 day return” in this service will include details of the disposal, the capital gain and the CGT payable. The capital gain computation will be attached to the return.

Disposals of UK property – UK resident taxpayer

- A disposal of UK residential property by a UK resident, where the gain is not wholly covered by reliefs, losses and exemptions existing at the time of disposal, so CGT is payable, must be reported to HMRC within 30 days of completion.
- Disposals by a UK resident under an unconditional contract where exchange took place before 6 April 2020, do not need to be reported in a 30 day return and can be reported in the 2019/20 UK tax return.

Disposals of UK property – non UK resident taxpayer

- Since 6 April 2019, with the exception of a transfer between spouses and civil partners, a non UK resident must report all UK property disposals within 30 days – direct and indirect - irrespective of whether there is a CGT liability. This will continue to be the case from 6 April 2020.
- A direct disposal is a disposal where the seller disposes of their interest in the UK land or property.
- An ‘indirect’ disposal is the sale of shares in a company, either UK or overseas, where 75 per cent of the value of the company is derived from UK land or property.

- The new online service will replace the existing Non Resident Capital Gains Tax (NRCGT) online form.

Online reporting of disposals - 30 day returns

- A separate return is required for each relevant disposal of UK property on which a gain arises and capital gains tax is payable.
- The capital gain computation to be reported should be as accurate as possible
- The computation can include relief for:
 - capital losses brought forward from a previous year
 - a capital loss arising on a disposal of a UK residential property earlier in the same tax year
- The computation cannot include relief for:
 - a capital loss arising on a disposal of a UK residential property after the disposal being reported
 - capital losses arising in the same year on the disposals of other types of assets
- The 30 day return can be amended after submission to HMRC but only if the amendment relates to matters which prevailed on or before the date of disposal. (An allowable loss arising later in the same tax year would not therefore be grounds to amend the 30 day return.) There are time limits for amending returns.

Paying the CGT due

- A “payment on account” of the CGT due must be paid within 30 days of completion at the same time the 30 day return is filed.
- This payment on account is the ‘best estimate’ of the CGT due based on the computation reported.
- Taxpayers will need to estimate their total income for the year to determine which rate of CGT applies, the basic rate of CGT (18%) or the higher rate (28%) for residential property.

Interaction with Self-Assessment tax returns

- If the taxpayer already files UK tax returns the disposal must also be reported in their UK tax return under Self Assessment.
- A taxpayer, who does not yet file tax returns, would only need to register with HMRC for Self Assessment and file a tax return to report the ‘30 day’ disposal if there is more tax to pay either in respect of the 30 day disposal or in respect of other income and/or gains for the same year.
- The self-assessment return will include additional page to reconcile capital gain entries to the CGT property return already submitted.

Interest charges, penalties and formal HMRC enquiries

- Interest charges on unpaid, or underpaid, CGT relating to disposals of UK property will run from the 30 day completion deadline until the day before the tax is paid.
- The same penalty regime that applies to Self Assessment tax returns will apply to reporting and paying tax in respect of UK residential property disposals from 6 April 2020.
- The same HMRC powers of enquiry which apply to Self Assessment tax returns will apply to the new “30 day returns” from 6 April 2020.

Action needed

In order to prepare the new UK property online “30 day returns”, capital gain computations and confirm the CGT payable within this tight deadline, please do let us know as soon as possible if:

- you are UK resident and planning to sell a UK residential property
- you are not UK resident and planning to make a direct or indirect disposal of UK property – residential or non residential.

Please contact your BGM advisor or email communications@bgm.co.uk if you wish to discuss this in further detail or if you would like any assistance with these new returns.

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