

Property Investment Help Sheet

(Or when to contact Boon & Worth)

Capital Gains Tax

(Selling a property in your own name)

From 6 April 2020 capital gains tax on the disposal of a residential property must be reported, and any tax liability paid, within 30 days of completion.

This will affect both UK and non-UK residents.

If you have had an offer accepted on a residential property (other than your main residence), please contact us, as you will be required to set up a capital gains tax account in order for the liability to be reported to HMRC.

Note: Property sales in a company are not affected

Stamp Duty

If you are purchasing an additional property, or through a limited company, there is an additional rate of stamp duty to pay if the property (or part of one) is over £40,000. This is an extra 3% on top of standard SDLT rates.

If you are non-resident individual or company, there is a 2% surcharge for residential properties in England or Northern Ireland, this is in addition to all the other residential rates of SDLT.

Annual Tax on Enveloped Dwellings (ATED)

(Buying a property worth more than £500k)

ATED is an annual tax payable mainly by companies that own a single dwelling UK residential property valued at more than £500,000. The tax liability depends on the property valuation eg. £500k up to £1m - £3,700 annual tax would be due.

Returns need to be submitted between 1 April and 30 April in a chargeable period.

When you purchase a new property which falls within the ATED regime, the return needs to be submitted to HMRC within 30 days.

There are reliefs available to reduce chargeable amounts to nil, however a relief declaration must be submitted to HMRC by the due date in order to claim the relief. A couple of examples of reliefs available include the following;

- Being developed by a property developer for resale
- A qualifying property rental business

If you are considering the purchase a UK residential property worth over £500,000, or own a property that have been revalued at over £500,000 please get in touch with us.

Construction Industry Scheme (CIS)

(Doing a Flip/Development)

Are you a property developer that employs sub-contractors?

A property developer is defined under HMRC's guidance of CISR12080. If your main business activity is the creation of new buildings, or the renovation or conversion of existing buildings (eg. converting a house into flats), you are likely to be classed as a property developer rather than investor.

If you are a developer, you will be liable to register as a sub-contractor under the Construction Industry Scheme (CIS). In this case, you will need to deduct tax at source from your sub-contractors and submit monthly returns to HMRC. Please get in touch and we can assist you in registering for the scheme.

Private Investors CT61

(Borrowing money in my company)

Does your limited company pay interest to an individual on a loan that is acquired for more than 12 months?

If so, you must generally make these payments net, after deducting income tax at the basic rate (currently 20%). You will need to report this to HMRC and pay the tax over to them on your investor's behalf. If you have investors to whom you are paying interest, please get in touch with us.

VAT

(Doing something other than Buying a Buy to Let or HMO)

Generally, residential landlords do not need to worry about VAT as residential lettings is exempt from VAT; however, in some cases, landlords and property developers may be able to reclaim VAT.

For example, if you are carrying out a conversion of commercial property into a residential property then a zero-rated supply would arise, meaning you may be able to reclaim VAT on your construction works.

Under the following circumstances a reduced rate of VAT at 5% is applicable on certain qualifying services supplied;

- Residential conversion. The basic rule to be eligible for this is that there must be change in the number of dwellings by the conversion. For example, if you convert a three-bedroom house into two flats.
- If the property has been empty for two years
- If the property is considered commercial and has been empty for 10 years

You can find out if the property has been inhabited at the 'Empty House Department' in your local council.

It is important to note that serviced accommodation is NOT exempt as it is treated as holiday accommodation and so standard rated.

VAT in regards to property can be quite complex so please get in touch straightaway to ensure we can properly plan for this.