

Property 2021 & beyond

Sunday 21 February 2021 – Online Zoom Webinar

Residential | Buy to let | Developments

Tax Considerations with residential properties

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Property Ownership Lifecycle vs Tax Regimes

Event	Purchase	Ownership	Sale / Disposal
Stamp Duty Land Tax (SDLT)	X		
Income Tax (IT)		X	
Corporation Tax (CT)		X	
Capital Gains Tax (CGT)			X
Inheritance Tax (IHT)			X

Property Purchase - Stamp Duty Land Tax (SDLT)

- Applies to purchase of:
 - Freehold property
 - New or existing leasehold
 - Land transfer in exchange of payment/consideration
 - Above SDLT threshold

	Pre 1 April 2021	1 April 2021 Onward
Residential	500,000	125,000

Basic Rate %	Higher Rate %	Residential (GBP)	Non-Residential (GBP)
0	3	0 – 125,000	0 – 150,000
2	5	125,001 – 250,000	150,001 – 250,000
5	8	250,001 – 925,000	250,001 +
10	13	925,001 – 1,500,000	N/A
12	15	1,500,001 +	N/A

Property Purchase - Stamp Duty Land Tax (SDLT)

- Things to remember
 - SDLT return and payment due within 14 days of completion
 - SDLT cost deductible against capital gains tax (CGT) on subsequent disposal

Property Disposal – Capital Gains Tax (CGT)

- CGT reliefs
 - Principal private residence (PPR) relief
 - Main dwelling (based on quality of occupancy)
 - Proportion of gain exempt = (actual occupancy + deemed occupancy) / ownership period
 - Deemed occupancy applies when
 - Unable to occupy in first 12 months of ownership
 - Up to 4 years where employment requires you to work away from home
 - Up to 3 years for any other absence provided you reoccupy after those 3 years
 - Final 9 months of ownership
 - Lettings relief
 - Limited to lowest of
 - PPR relief already calculated
 - GBP 40,000
 - Chargeable gain

Property Disposal – Capital Gains Tax (CGT)

- CGT considerations
 - CGT not applicable on transfers following death
 - Applicable on sale or gifts to people other than spouse/civil partner/charity
 - Gifts occur at open market value at date of gift
 - Taxable on gains exceeding Annual Exemption (GBP 12,300)
 - Deductible costs include
 - Capital enhancements made after initial acquisition
 - SDLT paid on initial acquisition
 - Legal and advisory fees on sale of property
 - Non-residents subject to CGT from 6 April 2015
 - Base cost is market value at 6 April 2015 if acquired earlier

	Residential	Non-Residential
Basic Rate	18%	10%
Higher Rate	28%	20%

Property Disposal – Inheritance Tax (IHT)

- IHT considerations
 - Death tax if donor dies within 7 years of gift
 - 40% on value of estate exceeding nil rate band (NRB)
 - Standard NRB = GBP 325,000
 - Unused NRB accumulates when transferred to spouse/civil partner
 - NRB increased to GBP 500,000 on main home (for transfers on death, not applicable to life time transfers)
 - Gift with Reservation of Benefit (GWROB) provisions
 - Requires donor to be excluded from benefiting from the asset gifted
 - Gifting of house followed by donor moving out of property
 - Exception where
 - donor needs to live there for health reasons and the donee is the carer, or
 - Donor pays market value rent to donee, or
 - Donee pays for fair share of property upkeep.

Property Ownership – Income Tax (IT) & Corporation Tax (CT)

- Ownership can be via *individual* or *limited company*

	Criteria	Individual	Limited Company
1	Tax Regime	IT at 20% / 40% / 45%	CT at 19% IT on salary (20 / 40 / 45%) or dividend (7.5 / 32.5 / 38.1%)
2	Mortgage Interest	Limited Deductibility	Full Deductibility
3	Multiple Shareholding	Profits all taxed on single individual	Profits distributable across multiple shareholders (access to multiple allowances)
4	Liability Protection	Potentially unlimited liability	Limited liability
5	SDLT	Higher SDLT rates on property purchase	Lower SD on sale of shares