



# Capital gains tax 60-day reporting

## What is a capital gain?

If the value of your property has risen since purchase, this increase in value on disposal is known as a capital gain.

Calculating the gain on the sale of property is relatively straightforward:

<b>Proceeds of sale</b>	<b>P</b>
<b>Less: costs of acquisition</b>	<b>(C)</b>
	<b>----</b>
<b>Capital gain</b>	<b>G</b>

The tricky bit is identifying allowable costs and claiming relevant reliefs. This is where we can help.

### Do I need to submit a return?

If you're selling, gifting or transferring UK residential property where a capital gain arises then you'll be required to submit a return.

A return isn't required if the disposal is realised at a loss, transferred to a

spouse, covered by any capital losses brought forward or fully covered by private residence relief (PRR).

Please note there will be significant penalties and charges for failing to comply with the 60-day reporting.

### Reliefs

Prior to 6 April 2020, the final period principal private residence (PPR) relief exemption meant that any gains made in the final 18 months of ownership were exempt from capital gains tax (CGT). From 6 April 2020, the final period exemption is limited to the last 9 months of ownership.

Previously, lettings relief, of up to £40,000, was available to those who let a property that is, or was, their home. Following legislation changes, this is no longer an allowable relief, unless you've shared the occupancy with the tenant.

## 60-day reporting

If you have sold property in the UK on or after 6 April 2020, you must report and pay any tax due on UK residential property within 60 days of selling it. Reporting is only required where tax is payable.

A report is required for each disposal, so if you own multiple buy-to-let properties and you sell a few of them in the same tax year then you may need to make several returns. In this circumstance, you need to consider the best order to make the disposals to minimise on-account payments due.

## Tax payable

The tax payable will need to be remitted to HMRC within the 60-day time limit.

How much capital gains tax is payable will depend on your other income in the year. If you're a basic-rate taxpayer then CGT is payable at a rate of 18%. If you're a higher-rate taxpayer then this rate increases to 28%.

If you're employed then ascertaining your tax rate might be straightforward enough, as your income for the year will likely be a set figure.

If, however, you're a self-employed individual, HMRC have confirmed that taxpayers can make reasonable assumptions and estimates when determining the rate to use, but a caveat needs to be placed on this.

The payment that you make will count as a payment on account. You'll still be required to declare the sale on your tax return.

## Example

Mrs Lambert\*, a higher-rate taxpayer, has owned a property for 10 years. She lived in the property for the first 4 years but moved in with a partner at the end of the fourth year and started to let the property. On 10 April 2020, she sold the property, making a gain of £100,000.

As this was her main property, PPR relief is available for the 4 years of occupancy plus the last 9 months' complementary period under the new rules.

This results in 47.5% of the gains being exempt. The remaining 52.5%, being £52,500, is the chargeable gain.

As a higher-rate taxpayer, the rate of residential property capital gains tax is 28%.

Mrs Lambert's liability on the sale is therefore £14,700.

Under the 60-day reporting requirements, Mrs Lambert must submit a return and pay her CGT liability by 10 May 2020.

*\*Name used for the purpose of this example does not represent a real person*

## How we can help

We can give you a Fact Finder to help you collate all the relevant information required to submit your return. At a basic level, we require details of the purchase, sale and occupancy throughout ownership.

We have a dedicated tax team who'll help you through every step of the process. Due to the 60-day deadline, we recommend you get in touch at the earliest possible opportunity, ideally before the sale goes through.



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