

A decorative background image on the left side of the page, featuring a dark background with numerous vertical, wavy lines of bright pink and purple light, resembling a night view of a city or a modern architectural facade. A diagonal line separates this image from the white background on the right.

Tax Insight

Disposing of UK residential property

The Requirements

UK resident individuals, trustees and personal representatives who realise a taxable gain on the disposal of UK residential property now need to report their disposal within 30 days of completion and pay any Capital Gains Tax (CGT) due within the same time frame.

Similar reporting requirements have been in place for non-UK residents disposing of UK residential property since April 2015. Now, however, non-UK residents who are Self-Assessment taxpayers can no longer defer the payment of CGT until their normal liability for the year becomes due. Instead they are required to report the disposal and pay the CGT liability within 30 days of completion.

How to report your property disposal

HMRC has introduced a new online service to allow taxpayers to report their UK residential property disposal and pay any CGT due. The taxpayer must create a personal tax account online in order to access the new service. Through this, they can authorise an agent to file and amend the CGT Return on their behalf.

A calculation is required alongside the submission of the CGT Return to estimate the payment on account of CGT due. A reasonable estimate of income levels will also need to be established, as this may affect the rate of CGT payable.

The tax may need to be adjusted if all the information was not available initially and to take account of the final position for the year. This will normally be done by inclusion in the Self-Assessment Tax Return.

Changes to Main Residence Relief

Since 6 April 2020, Main Residence Relief has changed. For any property that has at any time been the taxpayer's main residence, the final period of exemption is reduced from 18 months to just 9 months.

Special rules continue to apply for those with a disability or those in residential care where the final period of exemption is 36 months.

Lettings Relief

Since 6 April 2020, Lettings Relief applies only if the 'homeowner has been in shared occupancy with the tenant.' There are no transitional rules in place meaning that periods of letting before 6 April 2020 will not qualify for relief. As a result, affected individuals could lose up to £40,000 relief or up to £80,000 for couples.

Frequently asked questions

Are there any exemptions from the new 30-day reporting requirement?

Yes. You are not required to report a property disposal or make a payment on account of CGT in the following circumstances:

- A legally binding contract for the disposal of the property was made before 6 April 2020; or
- during the entire period of ownership, the property was your main residence and meets the criteria for full Main Residence Relief; or
- the disposal was made to a spouse or civil partner; or
- the taxable gains do not exceed the CGT Annual Exemption; or
- you disposed of the property for a loss, unless you wish to claim for the capital loss (e.g. against another property disposal); or
- if you have filed a Self-Assessment Tax Return and reported your property disposal before the date of completion (e.g. where the completion was delayed); or
- the property is located abroad.

What will happen if I do not report my UK residential property disposal within 30 days?

A late filing penalty of £100 may be due and late payment interest may be charged on tax not paid within the 30-day time frame.

The time frame is tight so, we would advise you to collate all information relating to purchase costs/probate valuations, improvement costs etc. before the planned disposal of the property. This will facilitate completion, submission and payment of tax within the 30-day time frame.

I have realised a gain on the sale of a painting I owned. Will I have to report my gain within 30 days?

No, the new rules only apply to the disposal of UK residential property. All other realised gains will continue to be reported in the usual way via the taxpayer's Self-Assessment Tax Return which is due on 31 January following the relevant tax year.

I have spent money on an extension to my property. Can I claim for the improvement costs in my estimated CGT calculation?

Yes, provided you have details of your expenditure, you will be allowed to claim for improvement costs still reflected in the state or nature of the property at the time of disposal.

The property I disposed of is my only property and has always been my main residence. Will I be affected by the new rules?

Certain factors can restrict Main Residence Relief, for example the size of the grounds surrounding the property, or if part of the property was used for business purposes.

However, if the property you have disposed of meets all of the conditions for full Main Residence Relief to apply, no CGT will arise on the disposal.

I made a loss on the sale of shares later in the tax year. Can I claim a refund from my earlier CGT payment on account?

When reporting the disposal of your UK residential property and estimating the CGT payment on account, you may only offset losses incurred before you dispose of your property. However, losses incurred later in the tax year can be claimed if you need to report a further disposal of property or on your Self-Assessment Tax Return.

I have made a gain of less than the CGT Annual Exemption. Do I need to report my disposal within 30 days?

If the calculation shows no CGT is payable, you are not required to report the disposal within the new 30-day time frame. You can report your property disposal in the usual way via your Self-Assessment Tax Return.

I have made a gain on a property which has a bakery below and rented flat above. Will my disposal be subject to the new rules?

For a mixed-use property, you will need to apportion the gain between residential and non-residential use. Only the gain arising on the residential use of the property will need to be reported under the new rules.

Examples

Example 1

No requirement to file a return

On 10 April 2020, John enters into a contract to sell his second home which he purchased in January 2019. The sale completion took place on 17 June 2020. John has never occupied the property as his main residence, and he has made no other disposals during the tax year to date. A gain of £7,800 arises on the disposal of the property.

John is not required to file a CGT Return for the disposal of his second home by 17 July 2020 as his gain is covered by his annual CGT exemption. John should report the disposal on his 2020/21 Self-Assessment Tax Return as normal.

Example 2

Multiple disposals

On 2 January 2021, Alex sells a UK residential property which he previously rented out to tenants. He realised a gain of £100,000. He then sells a second rental property on 9 January 2021 for a realised gain of £50,000. To save time, Alex would like to report both his disposals on one CGT Return.

However, because the disposals of Alex's property were completed on different dates, he must submit two CGT Returns to HMRC. The deadlines to submit his CGT Returns and make his CGT payments on account are 1 February 2021 and 8 February 2021 respectively.

Example 3

Capital losses post disposal

On 14 September 2020, Julie sells a residential property in London which she has owned for many years as an investment property. She has realised a gain of £425,000. Julie has capital losses brought forward at 6 April 2020 of £25,000 and is a higher rate taxpayer. Julie must submit a UK CGT Return by 14 October 2020 and make a CGT payment on account of £108,556 ($(£425,000 - £25,000 - £12,300) \times 28\%$). Julie submits her CGT Return and makes the payment on account on 12 October 2020.

Two weeks later, Julie realises a capital loss of £300,000 on the sale of an antique vase on 28 September 2020. She is unable to secure a repayment of £84,000 ($£300,000 \times 28\%$) of the tax paid on 12 October 2020 until she submits her 2020/21 Self-Assessment Tax Return, unless she makes a further disposal of UK residential property before the end of the tax year.

How can we help?

The changes have accelerated the reporting and payment dates for individuals, trustees and personal representatives disposing of UK residential property that is not wholly protected by Main Residence Relief. It is important to ensure you are prepared for the new rules.

Here at PKF Littlejohn, our expert team can help you with the application of these changes to your affairs and the reporting of your disposals.

For further information or to arrange a meeting with our expert team today, please contact:



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Our tax services At a glance

We offer comprehensive tax compliance and advisory services to a range of clients, both in the UK and globally, helping them find their way in the increasingly complex world of tax.

We find practical solutions that we use to our clients' advantage. Our team of experts supports individuals, and businesses ranging from start-ups and SMEs to large international groups, both listed and privately owned.

Where understanding of our clients' sector makes the difference, our experts invest their in-depth industry expertise to provide invaluable support and insights.

"By bringing together the extensive expertise and experience of our tax specialists we can provide a fully rounded service that offers excellent value for money."

We offer the following specialist tax services:



Corporate and business taxes

Our Business Tax team will ensure that you are both tax compliant and efficient.

We provide specialist corporate and business tax advice on both a local and international level, which includes senior accounting officer and large business compliance, transaction services, due diligence, R&D tax relief, employer solutions and global mobility. We also support both the personal and business affairs of partnerships and LLPs.

[Read more](#)



VAT and Indirect taxes

Our indirect tax team will support you in meeting your VAT compliance objectives and advise you on any VAT issues that your business faces.

We can ensure that your VAT risk is assessed and managed, and that your VAT recovery is optimised. We can also provide advice and compliance services on other indirect taxes, such as Insurance Premium Tax, Customs duty, and Air Passenger Duty.

[Read more](#)



Personal tax and wealth management

Our team will guide you through the complex world of taxes, helping you meet all filing requirements and identifying risks and opportunities to help mitigate tax liabilities.

We advise individuals, the self-employed, partners, trustees and executors with their UK and international tax affairs. Our services include all aspects of tax, including Self Assessment, Capital Gains Tax, Inheritance Tax, property (both residential and commercial), trusts, family wealth and estate planning, residence and domicile issues.

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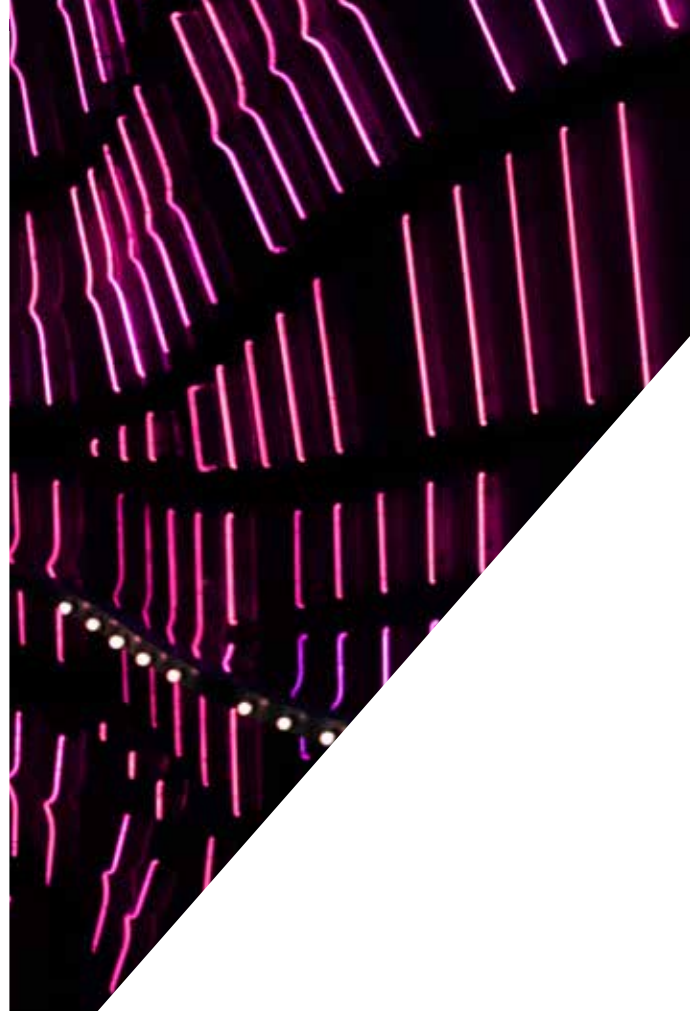


Tax disputes

HMRC is increasing the number and scope of tax investigations into both individuals and businesses, covering all aspects of potential underpayments of tax, including offshore investments, personal and corporate Self Assessment Tax Returns, PAYE and NIC compliance and VAT.

If an issue arises, our trusted advisors will match the right specialists with your needs to provide you the necessary support – whether for a routine HMRC enquiry or a more complex investigation.

[Read more](#)

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