



SRD Tax Management

Budget 2014 changes on the taxation of UK Residential Property

The UK Government announced in the recent Budget statement that they are extending the package of taxes that were brought in over recent years to target UK residential properties held by companies and other non-natural persons (NNPs). The previous changes were:

- The 2012 Budget introduced the 15% rate of Stamp Duty Land Tax (SDLT) on acquisitions of single dwellings valued at more than £2m held by companies and certain other non-natural persons;
- The 2013 Budget introduced the Annual Tax on Enveloped Dwellings (ATED) which came into effect from 1 April 2013 and UK Capital Gains Tax (CGT) was extended to certain disposals of high value residential property with effect from 6 April 2013.

Extension of Regime Announced 19 March 2014

The UK Chancellor announced the following changes in respect of UK residential properties held by companies and other NNPs:

- The 15% rate of SDLT will now apply to acquisitions of single dwellings valued at more than £500,000 where the completion date is on or after 20 March 2014;
- An ATED charge of £7,000 will apply to residential properties worth more than £1 million and up to £2 million with effect from 1 April 2015. It will also be necessary for the first ATED return to be filed by 1 October 2015 and payment will be required by 30 October 2015;
- An ATED charge of £3,500 will apply to residential properties worth more than £500,000 and up to £1 million with effect from 1 April 2016;
- The extended CGT charge will apply to the sale of residential properties worth in excess of £1 million and up to £2 million with effect from 6 April 2015. The rate of CGT applicable to disposals under the extended rules will be 28% and

the charge will only apply to the part of the gain that is accrued on or after that date;

- The extended CGT charge will apply to the sale of residential properties worth more than £500,000 and up to £1 million with effect from 6 April 2016. The rate of CGT applicable to disposals under the extended rules will be 28% and the charge will only apply to the part of the gain that is accrued on or after that date.

Exemptions

As previously, exemptions from the 15% SDLT rate, the ATED charge and the extended CGT charge include:

- Properties acquired in the course of a property development business
- Properties let out, or intended to be let out, as part of a property rental business where let to third parties on a commercial basis (in most cases this will exempt properties acquired as "buy-to-lets")
- Farmhouses and properties held by trading companies for the use of employees

The UK Government has also announced that it will consult on possible options to simplify the administration of ATED, particularly in respect of commercial property businesses.

They will also be consulting on the taxation of non resident individuals in the coming months and legislation will be introduced in due course.



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