



**Chartered
Institute of
Taxation.**

Capital gains tax: disposal of UK land etc. Clause 23

Executive Summary

We welcome the doubling of the time period for reporting and paying Capital Gains Tax on the sale of UK property, and also an accompanying technical correction.

However, the main problem with the (now) 60-day reporting and payment process is still a lack of awareness. Individuals selling UK property often do not know about their 60-day reporting and payment obligations.

When they do become aware of their obligations, many individuals struggle with accessing the stand-alone digital system for reporting these transactions.

1 Overview

- 1.1 This clause extends the deadline to report and pay Capital Gains Tax (CGT) on the sale of UK property (land) from 30 days after completion of the sale to 60 days. This took effect on 27 October 2021.
- 1.2 Since 6 April 2020 reporting and payment of capital gains from disposals of UK property has been done through the CGT online service.¹ This applies to UK resident individuals, trustees or personal representatives disposing of UK residential property where the disposal results in a CGT liability. It also applies to non-UK resident individuals who are required to deliver a return in respect of a disposal of a direct or indirect interest in any type of UK land. UK tax residents selling property where there is no CGT to pay, such as the sale of a property that has always been their main home, are not in scope.
- 1.3 In some cases disposals reported via the CGT online system also need to be reported through the main self-assessment tax return with a credit for tax paid under the CGT online reporting.

¹ There is a paper option for digitally excluded taxpayers or for those who are unable to use the service due to limited functionality.

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- 1.4 The policy change to extend the deadline is in line with a recommendation made by the Office of Tax Simplification in [Capital Gains Tax Review: Simplifying practical, technical and administrative issues](#) (May 2021).
- 1.5 The clause also ends a technical anomaly for UK resident taxpayers involving gains from properties used for both residential and commercial use (mixed use). Clause 23 (3) clarifies that where a UK resident disposes of a property that is part residential and part commercial, for example a flat over a shop, the commercial part is ignored when calculating the amount of the CGT payment through the 60-day online system.

2 CIOT comments

- 2.1 CIOT welcomes both measures in this clause.
- 2.2 Doubling the amount of time available for taxpayers to submit a UK property disposal return is a sensible reform, helping taxpayers to file and pay on time without incurring penalties. It has always been challenging to report and pay CGT on sales of UK land and property within 30 days, especially so when it involves complicated transactions where information has to be gathered on the ownership history and estimates or valuations take time to produce. Taxpayers also need to register with HMRC before they can make a return online. This can take time and is not always easy.
- 2.3 We are concerned that the way that the online CGT reporting system has been designed – as an ‘add-on’, independent of HMRC’s mainstream system – means there have been significant teething problems with the operation of the system for some groups, including personal representatives who may be declaring gains on behalf of a deceased person. These teething problems are gradually being ironed out and better guidance is being produced - but there remains a worrying lack of awareness² of the obligation to report and pay CGT on UK property disposals especially for taxpayers making a one-off disposal or for non-UK residents selling UK property.
- 2.4 Unless an individual is represented by a tax adviser or they have read the guidance on GOV.UK they may not be aware of the obligation and there is nothing to alert them to it, particularly for individuals making a one-off disposal. Although awareness is likely to increase over time, and the extended deadline goes some way to helping taxpayers meet their obligations once they become aware, we think the Office of Tax Simplification’s other suggestion of providing property professionals such as estate agents, conveyancers or auctioneers with an HMRC- approved generic information pack to pass onto clients at the point when their property is put on the market is worth exploring.
- 2.5 We also welcome the ending of the anomaly around mixed-use properties. The CIOT had previously raised the operation of the legislation to calculate the CGT payment in these circumstances as it did not seem to operate as intended. The technical clarification is therefore welcome.

² As the Office of Simplification noted, the extent of this lack of awareness will become clearer once self-assessment tax returns are filed for 2020/21 tax year (due by 31 January 2022).

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- 2.6 Clarifying this change through legislation rather than guidance will give taxpayers certainty that they are fulfilling their reporting obligations. It was never the intention that UK resident taxpayers should have to declare gains made from non-residential properties within 30, or even 60, days.

3 The Chartered Institute of Taxation

- 3.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT’s work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members’ experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT’s comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT’s 19,000 members have the practising title of ‘Chartered Tax Adviser’ and the designatory letters ‘CTA’, to represent the leading tax qualification.

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The Chartered Institute of Taxation
7 December 2021