Property and Construction Insight

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Introduction

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Welcome to our second Property and Construction newsletter of the year. A lot has changed since our last edition in February, due to the COVID-19 pandemic.

In this edition of the Property and Construction newsletter we will be covering the SDLT deadline extension for disposals of main residences, new rules on paying Capital Gains Tax, and more.

We hope you find the articles in this newsletter interesting. If you would like to discuss any of the issues in the newsletter please do not hesitate to contact us.

Having an accountant who understands the challenges of this dynamic sector and is able to help you plan for the future is an advantage in a competitive environment. At Hawsons we have a great deal of experience in advising and helping businesses in property and construction and we can assist you as your business grows.

Our in-house tax team have advised on many aspects of taxation specific to the property investor including in the areas of VAT, Capital Allowances, Income and Corporation Tax and Capital Taxes.

Government announce stamp duty land tax holiday

Stamp duty is paid on a purchase of a property. The rules of stamp duty are slightly different across the 4 countries of the UK.

Stamp Duty Land Tax is paid in England and Northern Ireland.

Land and Building Transaction Tax is paid in Scotland.

Land Transaction Tax is paid in Wales.

The amount of tax payable is dependent on where you live in the UK, how much the property cost, and if you're a first-timer buyer.

Find out more about Stamp Duty here.

The Chancellor announced on Wednesday 8 July 2020 that the SDLT threshold will be temporarily raised to £500,000 until March 2021. The aim of this is to increase activity in the property market. This will also help house buyers that have been financially affected by the coronavirus.

The Government say that "the average stamp duty bill will fall by £4,500. And nearly nine out of 10 people buying a main home this year, will pay no stamp duty at all." The change can save a purchaser up to £15,000.

Rishi Sunak announces £2bn home insulation scheme

The Chancellor has announced a £2bn grant scheme for homeowners for energy saving home improvements, this is part of wider £3bn project to cut emissions. The Treasury have said that this funding would help support over 100,000 jobs.

Households will receive vouchers for up to £5,000 and the poorest households will receive up to £10,000 for their energy-saving home improvements.

The scheme known as the Green Homes Grant will mean that the government will cover two-thirds of home improvement costs that will save energy. This scheme will start in September 2021.

Prime Minister to use Construction to rebuild economy as 2 metre social distancing rule is changed

The Prime Minister has announced an immediate £5bn package of capital investment in infrastructure projects. Confirming that the Government is investing in the construction sector to accelerate the economy's recovery from the coronavirus crisis. This funding should help create thousands of high-skilled and high-paid jobs.

The Construction Leadership Council (CLC) have said they will update the site-operating procedures, after lockdown measures were relaxed by the Government. The Prime Minister announced the new 'one-metre-plus' guidance where people are advised to stay 2 metres apart "where possible". However, if the 2 metre distance cannot be maintained then other measures including using face coverings and avoiding face-to-face contact should be used instead.

The latest version (version 5) of the operating procedures defines the new rule as "two metres, or one metre with risk mitigation where two metres is not viable". These mitigations include: "installing screens, making sure people face away from each other, hand-washing facilities, minimising the amount of time spent with people outside your household or bubble, and being outdoors".

The change in social distancing rules and the £5bn funding into infrastructure projects should help kick-start the construction sector, after many construction sites have spent the last few months closed due to coronavirus.

Please see Site Operating Procedures Version 5 here

Deadline for SDLT extended for main residence disposals

In 2016 the Government introduced a 3% surcharge on purchasing second homes. If you buy a new home and your previous home has not sold at the time of the purchase, this charge applies. But it is possible to claim the 3% surcharge back if you sell your old home within three years of purchasing your new home.

But, because the coronavirus lockdown brought the property market to a halt, HMRC has decided to extend this three-year deadline, if the disposal of your property has been delayed because of coronavirus. To be eligible for a refund after the three-year deadline you will need to provide evidence that the delay in selling your previous home was due to reasons outside your control. Additionally, the previous home must be sold as soon as reasonably possible.

HMRC announced this relaxation especially for coronavirus but it could also cover different reasons. For example, a public authority preventing the sale of a property. HMRC have said that they will consider each application separately. If you are unsure if your situation qualifies as an exceptional circumstance, you can see further details and examples here.

Please note that this announcement only applies to England.

Payment of Capital Gains Tax within 30 days - new rules from 6 April 2020

Did you know that, from 6 April 2020, there will be significant changes to the capital gains tax regime for disposals of UK residential land and property? UK residents making a disposal will be required to submit a return and pay any capital gains tax due to HMRC within 30 days of completion! This is a significant reduction to the previous reporting and payment deadline, which was up to 22 months after disposal.

There is no requirement for a UK resident to submit a return if the gain is entirely covered by principal private residence relief.

Non-residents are subject to separate rules and are required to submit a return even if they do not have a tax liability. They are now also required to submit returns for disposals of UK commercial property, as well as for UK residential property.

More individuals (including trustees and personal representatives of deceased estates) will be within this new regime. There are also forthcoming restrictions in principal private residence relief and lettings relief which complicates matters.

If you would like to find out more about this please contact Jenny Brown.

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VAT deferment period closes on 30 June - Reinstate your direct debit

In March, the Chancellor announced that businesses could defer VAT payments due between 20 March and 30 June 2020 until 31 March 2021. This temporary change to the payment dates was introduced to help businesses manage their cashflow.

The VAT deferment period is now drawing to a close, therefore if you cancelled your direct debit or other payment method this needs to be reinstated.

Please do this well in advance of your normal VAT payment date so the payment is collected on time. If the payment is late, HMRC could charge interest and penalties.

If you are struggling to pay your tax bill on time, you may be eligible for HMRC's Time To Pay service. This can allow a business to clear tax debts by making instalments over a 3 to 12 month period.

Reverse charge for construction services has been delayed but due to be implemented from 1 March 2021.

Businesses should continue to file their VAT returns as normal by the due dates.

If you have any questions about your VAT, please contact our VAT specialist Tony Nickson.

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Get in touch...

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