



Julia Casimo

A winner under the new Capital Gains Tax Rules

Q. I purchased a buy-to-let house in 2002 for £64,000 and spent £18,000 doing it up, before I could rent it. It's worth about £180,000 today and I want to sell it. Would I be better off selling before or after the new Capital Gains Tax Rules come in next April? My annual income is £27,000.

A. In April 2008 the new Capital Gains Tax regime will replace indexation, taper relief and rates of 20% and 40%, with a much simplified tax of 18%. There has been a lot of (justified) criticism of the impact of the new rules on people who invest in business assets; they will, in general, pay significantly more tax.

However, people with non-business assets, like you, will benefit from the new rules. Specifically, if you sell your house before April 2008, you will pay CGT as follows:

OLD RULES:	£
Sale Proceeds	180,000
Less: Purchase Cost	(64,000)
Less: Improvements	(18,000)
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	98,000
Less taper relief (20%)	(19,000)
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Gain	78,400
Less Annual Exemption	(9,200)
Taxable Gain	69,200

Because of your other income, this will be taxed at 20% and, for most of the gain, at 40%. **The total tax payable is £25,115.**

If you were to wait until after April 2008, the tax you would pay would be:

NEW RULES:	£
Sale Proceeds	180,000
Less: Purchase Cost	(64,000)
Less: Improvements	(18,000)
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Gain	98,000
Less Estimated Annual Exemption	(9,500)
Taxable Gain	88,500

Under the new rules, this is all taxed at 18%. **The total Tax payable at 18% is £15,930.**

So, a tax saving of over £9,000. Whilst this would certainly indicate that you should wait until after April 2008 to sell your property, I must sound a note of caution - the Chancellor is still tinkering about with the rules, and we are unlikely to get the full picture until next March's budget!

As with many decisions you really do need to take independent financial and tax advice. If you would like our help call Julia on **0151 228 8977** at **John Kerr Chartered Accountants** 369-375 Eaton Road, West Derby, Liverpool L12 2AH. Authorised and regulated by The Financial Services Authority

