

Changes affecting Property following the budget June 2010

VAT—change of standard rate.

The new rate of 20% will take effect from 4th January 2011. In order to prevent suppliers invoicing prior to that date using the VAT rate of 17.5%, when the supply will not actually be made until on or after 4th January, anti-forestalling legislation will be introduced. This legislation will apply in certain specified circumstances where the supplier and customer are connected parties.

If 17.5% VAT is declared in such circumstances, a 2.5% supplemental charge will be applied. However, this will not affect prepaid or pre-invoiced rentals of land, buildings or other assets if the period concerned is a year or less and pre-invoicing or prepayment in advance is normal commercial practice.



Capital Gains Tax—new higher rate

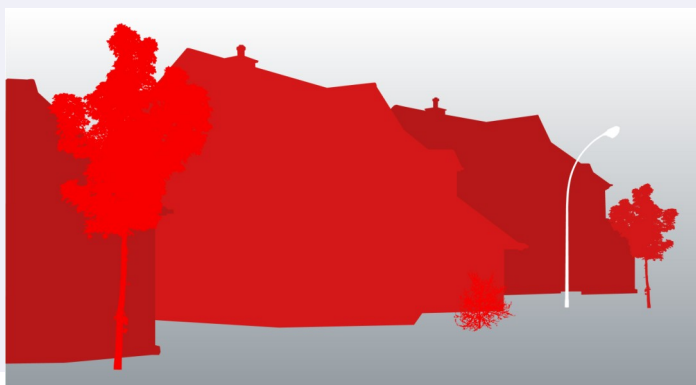
A new higher rate of CGT (28%) was introduced on 23rd June 2010, which will affect individuals with gains, or parts of gains above the upper limit of the income tax basic rate band (£37,500 for 2010-11). If the gain is under that limit, the rate remains at 18% for individuals. For trustees and personal representatives, the rate will increase to 28% with the annual exempt amount staying unchanged at £10,100 for 2010-11. The new higher rate will particularly affect owners of second homes, holiday homes and buy-to-let landlords—and since the increase was immediate, there is no opportunity to sell the properties now to avoid the higher rate.

Stamp Duty Land Tax—rates

A new rate of 5% for purchases of residential property over £1 million will take effect on 6th April 2011. Previously, the highest rate was 4% for purchases over £500,000. All other SDLT rates and thresholds remain unchanged.

First-time buyer “relief”

So far, the government has not changed the introduction of SDLT relief for first time buyers of properties not exceeding £250,000—which was introduced by the labour government in March 2010. However, they are reviewing it—taking into account its impact on affordability and value for money. The relief is available to first time buyers when the effective date is on or after 25th March 2010 and before 25th March 2012. For those who are not first time buyers, the existing limit for nil SDLT remains at £125,000.



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