



# Property seminar

## Property sector update: Trends and tax planning

27 February 2019

# Agenda

- / Introduction to BKL and Brotherton Real Estate
- / Economic update across the sector
- / Structures & Buildings Allowance: new tax relief
- / Capital allowances: increased annual limit to £1m
- / Other changes: Entrepreneurs' Relief and Non-Resident CGT / SDLT
- / VAT & Construction Services Domestic Reverse Charge (CSDRC)
- / Brexit: "No Deal" & VAT?
- / Questions for BKL

# Structures and Buildings Allowance

- / Proposed new allowance: regulations awaited
- / 2% per year on cost of building
- / Commercial buildings
  - / New buildings
  - / Converting / renovating existing buildings
- / Expenditure incurred on or after 29 October 2018

# Structures and Buildings Allowance

Can claim on:

- / Owner occupied building used for trade (or other qualifying purpose)
- / Rental property
- / Overseas buildings if give rise to UK taxable profits

What's expected to be included:

- / **In:** hotels / care homes
- / **Out:** student / other communal accommodation

# Structures and Buildings Allowance

On sale:

- / Balance of unclaimed allowances pass to purchaser
- / CGT base cost reduced by allowances claimed

Doesn't replace existing Fixtures Capital Allowances

- / Rate: 18% or 6%
- / S198 election on sale

# Capital Allowances

## Annual Investment Allowance

- / From 1 January 2019 – for 2 years – i.e. to 31 December 2020
- / New annual limit £1m (previously £200k)
- / Pro-rated pre / post 1 Jan 2019 with maximum £200k pre 1 January 2019
- / e.g. y/e 30 June 2019
  - / 1 July 2018 to 31 December 2018: allowance for year =  $6/12 \times 200k + 6/12 \times 1m = 600k$
  - / Maximum claim for period up to 31 December 2018 = £200k
  - / May be worth deferring expenditure until after 31 December 2018

## Integral features and other special rate allowances

- / Reduced to 6% (was 8%)

# Entrepreneurs' Relief

- / 10% CGT rate
- / Trading businesses / companies
  - / Estate agents; surveyors and professional services
  - / Property and asset managers
  - / Property developers / dealers (i.e. buying / developing to resell)
- / £10m life time limit
- / Husband and wife have own £10m limits

# Entrepreneurs' Relief

- / For sales after 5 April 2019
  - / Must have owned the shares and met conditions for two years before sale
  - / (previously one year)
  - / (doesn't apply to businesses which ceased to trade before 29 October 2019)
- / For sales on or after 29 October 2018
  - / Additional condition
  - / Must own at least 5% of share capital and votes, **and**
  - / On disposal of company expectation of at least 5% of proceeds
  - / (previously just share capital and voting rights)



# Stamp Duty Land Tax

- / **Scotland:** Land & Buildings Transaction Tax
- / **Wales:** Land Transaction Tax
- / Rates different
- / Detail similar but with some variations

# Stamp Duty Land Tax

- / Consultation: 1% SDLT surcharge for non-residents
  - / buying property in **England and Northern Ireland**
- / No start date specified
- / Non-resident
  - / Individual who has spent fewer than 183 days in **UK** in the 12 months before purchase
  - / Refund if spends 183 days or more in **UK** in 12 months following purchase
  - / Company: existing corporate residence rules
  - / “Close” UK company controlled by non-residents

# Non-Resident Capital Gains Tax

- / From 6 April 2019
- / Non-residents subject to CGT on:
  - / Disposals of land: residential and commercial
  - / Entities deriving at least 75% of their value from UK land where shareholder owns at least 25% of entity
- / Base cost: April 2015 or 2019 value
- / Non-UK company becoming UK resident

# VAT & Construction Services Domestic Reverse Charge (CSDRC)

- / Commences 1 October 2019
- / Why needed?
  - / Counter “missing trader fraud”
- / What is it?
  - / Person supplying services: no longer to account for VAT
  - / “Customer” applies “Reverse Charge”
  - / No “end user” confirmation provided
- / Applies to:
  - / Construction Services (and goods)
  - / Positive VAT rate e.g. 20% and 5%
  - / Works reported under Construction Industry Scheme

# VAT & CSDRC

## / Affects:

- / Contractors

- / Subcontractors

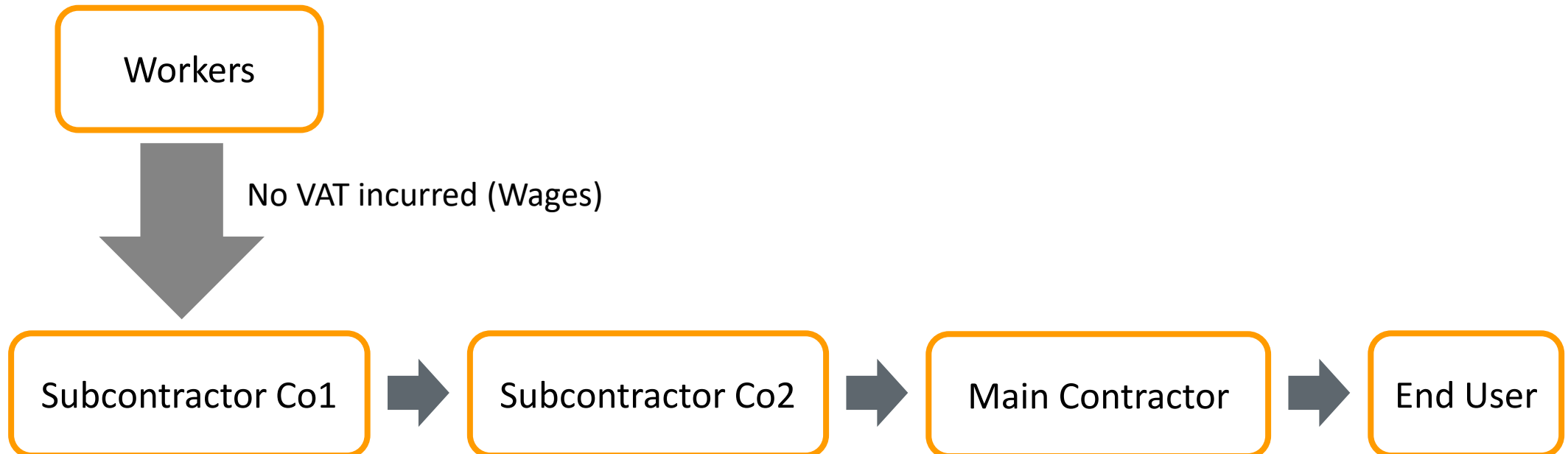
## / Effect:

- / Contractors: “paying & recovering” delay will be removed

- / Subcontractors: loss of cashflow

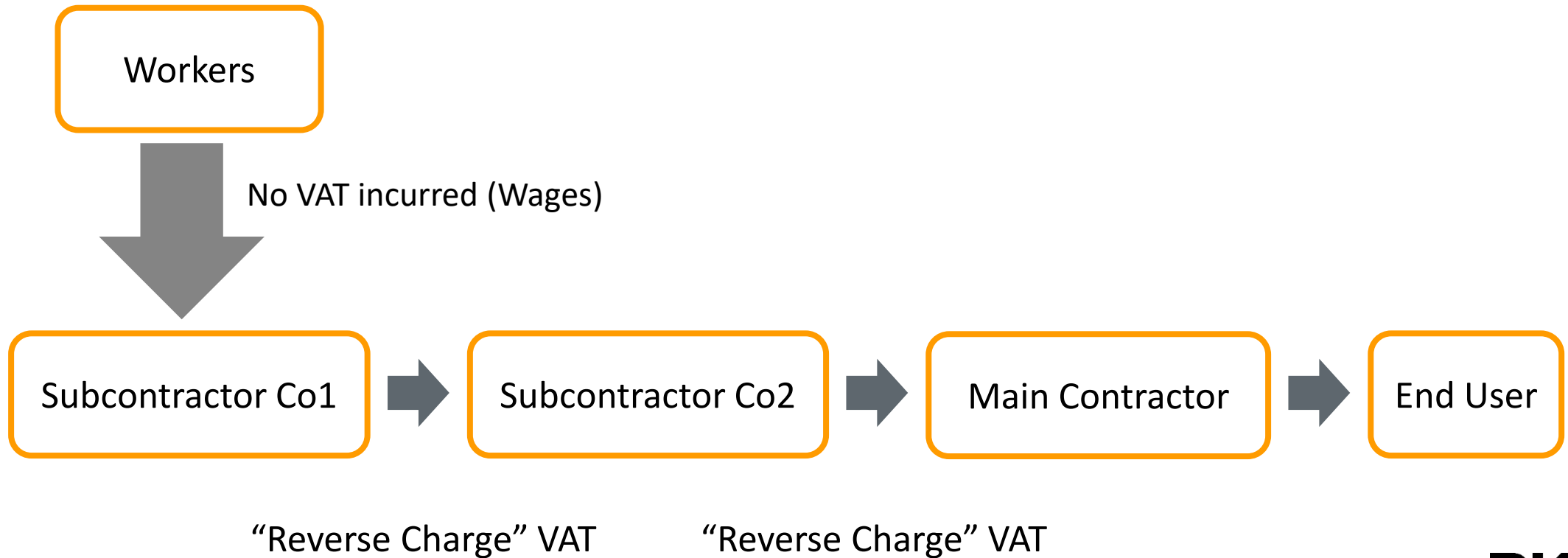
# VAT & CSDRC

Pre 1 October 2019



# VAT & CSDRC

Post 1 October 2019



# VAT & CSDRC

/ Example: Working for client who owns an office / a commercial unit

/ Q1 Supply within scope of CIS? Yes

/ Q2 Is the supply standard or reduced rated? Yes

/ Q3 Is the customer VAT registered? Yes

/ Q4 Is the customer CIS registered? **No**

/ Supplies will be subject to standard VAT rules



# VAT & CSDRC

- ✓ Example: Working for client who owns an office / a commercial unit
  - ✓ Q1 Supply within scope of CIS? Yes
  - ✓ Q2 Is the supply standard or reduced rated? Yes
  - ✓ Q3 Is the customer VAT registered? Yes
  - ✓ Q4 Is the customer CIS registered? Yes
  
- ✓ Has the customer provided End-User confirmation?
  - ✓ No – supply subject to CSDRC
  - ✓ Yes – standard VAT rules apply

# VAT & Brexit: “No Deal” & VAT?

- / VAT is a European tax
- / EU VAT legislation *currently* dictates rules
  - / ECJ has final say
- / UK’s hands are “tied” re VAT rates etc
- / **Post 29<sup>th</sup> March:**
  - / Retain more control over our rules
  - / EU no longer have final say re VAT rates
  - / Import / export businesses:
    - / More immediate impact of changes
    - / Supply chain delays.....

# VAT & Brexit: “No Deal” & VAT?

- / Bathroom accessories from Germany
- / Business-2-Business supply
- / Pre 29 March 2019: EU Dispatch/ Acquisition
- / UK VAT return: Boxes 2 & 4 – Nil net effect
- / No import duty
- / Purchase Manager: VAT on expenses  
– claim submitted pre  
30 September (8<sup>th</sup> Directive  
refund claim)



# VAT & Brexit: “No Deal” & VAT?

- / Obtain an Economic Operator Registration and Identification (EORI) number
  - / Required to trade
- / Ensure Contracts & INCOTERMS are properly reflected
  - / Record you as importer
  - / Import declarations – in-house / customs broker?
- / Postponed VAT Accounting
  - / **Import VAT**
  - / Mitigate VAT cashflow cost
  - / Declare on VAT return
  - / Declare on VAT return: nil net effect
  - / Imports from both EU / non-EU co



# VAT & Brexit: “No Deal” & VAT?

## / Transitional Simplified Procedures

### / **Import duty**

/ Imports through roll-on, roll-off ports and Channel Tunnel

/ Effects at port are:

/ Defer making full customs declaration; and

/ Postpone paying customs duties

/ Ability to sign up now

## / EU VAT Refund Electronic System lost

/ Non EU refunds available (13th Directive Refund claim)

/ Rules vary from country to country



# VAT & Brexit: “No Deal” & VAT?

- / VAT: Possible effects of a “No Deal”

- / VAT Rates

  - / No longer to be determined by the EU

  - / Construction industry may be affected

- / Residential property

  - / Refurbishment work on dwellings: currently VAT 20% (unless unoccupied > 2 years)

  - / Reduction to zero rate?

**Who knows?**

# Thank you



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