

RUSSELL-COOKE SOLICITORS
PRIVATE CLIENT DEPARTMENT
**CAPITAL GAINS TAX AND
INVESTMENT PROPERTIES**

Many people now own houses and flats as investments. At some point, you may wish to give your investment property to your children. Most people are aware that if they gift property to someone in the seven years prior to their death, Inheritance Tax may be payable on the value of that gift. However, it is less well known that if you give someone a property that is not your main residence, Capital Gains Tax may be payable.

What is Capital Gains Tax?

Capital Gains Tax (CGT) is a tax paid by individuals on the gain, or profit, they have made upon the disposal of a chargeable asset.

Under the principal private residence exemption, your primary residence should be exempt from CGT, but any additional properties that you own are subject to the CGT regime.

CGT is calculated by deducting the acquisition value of the property and any other allowable expenses from the sale price. Any gain over the Annual Exempt Amount is taxed at 18%.

For example, if you bought a holiday home for £200,000 in 2001, spent £10,000 on improvements, costs of purchase and sale then sold it for £310,000 in 2009, there would be a gain of £100,000 for CGT purposes.

CGT is also payable on gifts. Taking the above example, if instead of selling your holiday home in 2009, you gave it to your daughter, the market value of the property is taken into account and a gain of £100,000 is still chargeable to CGT.

How can Russell-Cooke Help?

If you are planning to gift an investment property, we can calculate the CGT that will be due on that disposal.

To prepare a CGT calculation we will require:

1. The acquisition value or, if the property was inherited, the probate value
2. Details of any work you have done to the property and the costs you incurred in acquiring the property
3. The current market value

If you wish to talk to someone about CGT then we are happy to advise you, in consultation or writing, on the options available to you. There may be steps that you can take to reduce your possible CGT liability. Our usual charging rates will apply and fees will be charged in accordance with the amount of time spent dealing with your instructions.

If you require further information or advice please contact:

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