

Change of property ownership led to £64,728 tax savings.

The problem

Mrs N, a senior executive in the IT industry, owns a large house in the South East of England which she occupies with her husband and teenage children as the family home. After securing a very well paid job with an IT company based in the City of London, she acquired an apartment in Central London (in March 2008) which was used for 3 or 4 nights per week and occasionally at weekends. The idea was to minimise the time wasted on commuting and also benefit from the expected investment returns from the growth in value of the Central London property. As there was now more than one family residence, the potential for capital gains tax on any sale of the Central London property came to light and Mrs N was concerned about this.

The solution

Following a meeting with Wilson Partners in January 2010, Mr and Mrs N were advised to make a formal nomination to HMRC to make the Central London property their "capital gains tax exempt", only or main residence and also to switch the property into their joint names. There was some urgency required as this nomination must be made within 2 years of first having more than one residence ie before March 2010.

Wilson Partners also advised Mr and Mrs N to immediately reverse the nomination back to the large house to minimise any capital gains tax on a sale of this property. The following transpired:

- a) The Central London property was acquired for £600,000 (including costs) in March 2008.
- b) The Central London property was used by Mrs N and occasionally by her family for 4 years up to March 2012.
- c) Following Mrs N changing roles within the IT company, the Central London property was no longer required for her use and was then let to tenants on commercial terms from March 2012 onwards.
- d) The Central London property was sold in March 2018 for £1,000,000 (after selling costs).

Having made and immediately reversed the only or main residence nomination, the CGT payable by Mr and Mrs N on the sale of the Central London property was £44,108. In the absence of the Wilson Partners advice, the CGT bill would have been £108,836. And there was limited negative impact on the tax position with the main home!!

The client said

"I can't believe how complicated the UK tax system is. A simple nomination and change of ownership made at the correct time produced a reduction in the final tax bill of £64,728. I am very pleased."

We said

"We enjoy finding solutions to our client's problems – we apply our knowledge and experience to the facts our clients present to us and look to find the way forward that minimises the taxes payable."

Alan Ross, Tax Director,
Wilson Partners