

**BUDGET 2014**

(19 MARCH 2014)

SOME OF THE MAIN BUDGET PROPOSALS ARE SET OUT BELOW.

**DISPOSAL OF PRINCIPAL PRIVATE RESIDENCE-36 MONTHS REDUCED TO 18 MONTHS**

If an individual has more than one property which he uses as a main residence he can claim the CGT main residence exemption if he unconditionally contracts to dispose of one of the properties even though he has been out of occupation of the same for up to 36 months and is claiming the residence exemption on another property. See TCGA 1992 s223 (2).

Thus, Mr X may have bought greenacre in 2008 and lived in it as his residence and moved out into blueacre on 1 December 2011.

Under the present law Mr X can elect within 2 years (or longer if Concession D21 applies) from 1 December 2011 to treat blueacre or greenacre as his principal exemption. Let us assume he had elected for blueacre to be his principal residence. This means under present law can dispose of greenacre tax free at any time before 3 years from 1 December 2011 i.e. 1 December 2014.

However, under the Budget/Finance Bill 2014 the 36 month period is reduced to 18 months where sale contracts are entered into after 5 April 2014.

The new rules do not apply to contracts for sale entered into before 6 April 2014 provided these are legally completed before 6 April 2015.

So in the above example Mr X must have contracted to sell greenacre before 6 April 2014 if he is to benefit from the 36 months rule. Even then legal completion of the contract must take place on or before 5 April 2015.

**ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)**

On high value (over £2m) residential properties owned by companies and certain other bodies there is a 15% SDLT charge (on acquisition) and an annual ATED charge of up to £140,000 per annum and a special ATED-related CGT charge (on disposals). The unholy trinity of levies.

The ATED will now apply to properties from £1m to £2m from 1/4/15 at £7000 per annum. Properties worth over £500,000 and up to £1m will be brought within the charge from 1/4/16 at £3,500 per annum. The government has raised more money than expected through the ATED levies.

The 15% ATED SDLT charge will apply to purchases over £500,000 from 20/3/14.

The ATED CGT charge will be extended to disposals of ATED residential properties worth over £1m and up to £2m with effect from 6/4/15 and for residential properties worth over £500,000 and up to £1m with effect from 6/4/16.

### **PARTNERS IN LLPS TO BE TREATED AS EMPLOYEES**

With effect from 6/4/14 partners in LLPs will be treated as employees unless they receive genuine profit shares, or sit at the top partnership table and significantly influence the running of the partnership or put significant capital at risk.

**PATRICK C SOARES**

