

REAL ESTATE IHL FORUM

Real Estate IHL Forum

Taxing Times

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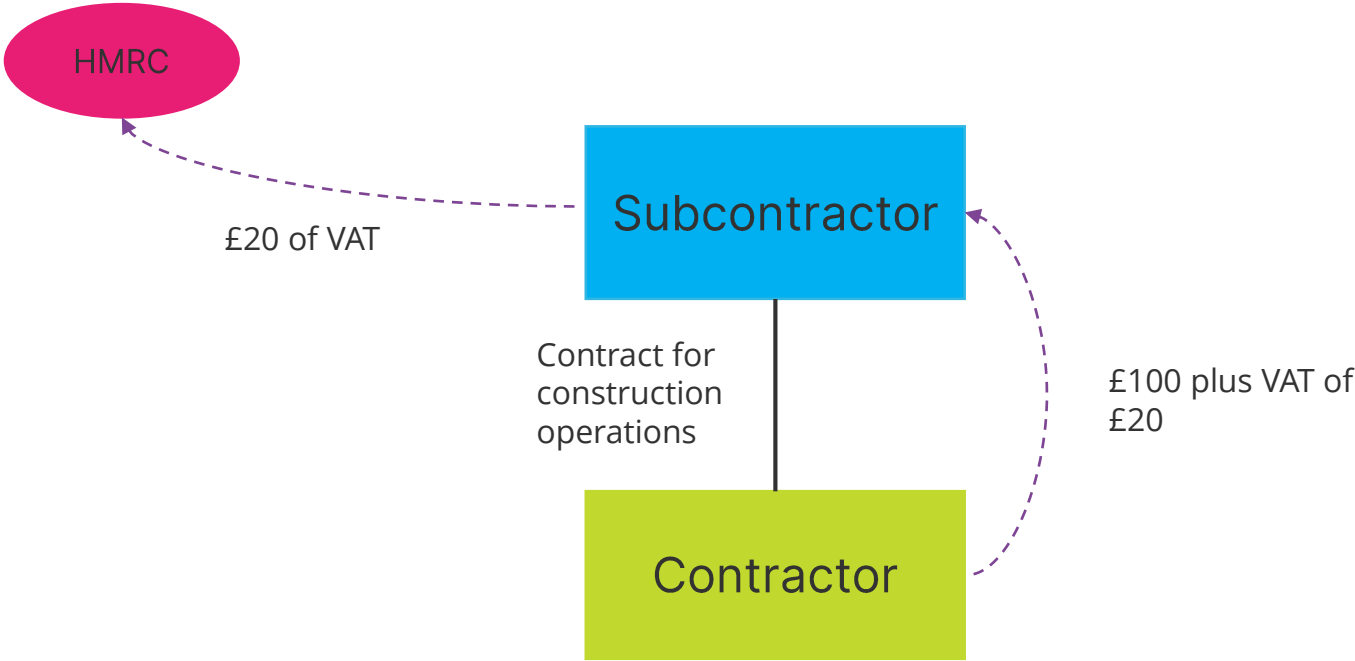
Overview

1. VAT and the Reverse Charge
2. VAT and Dilapidations
3. The 2% SDLT surcharge
4. The “Superdeduction”
5. The change that didn’t happen – capital gains tax and corporation tax rates

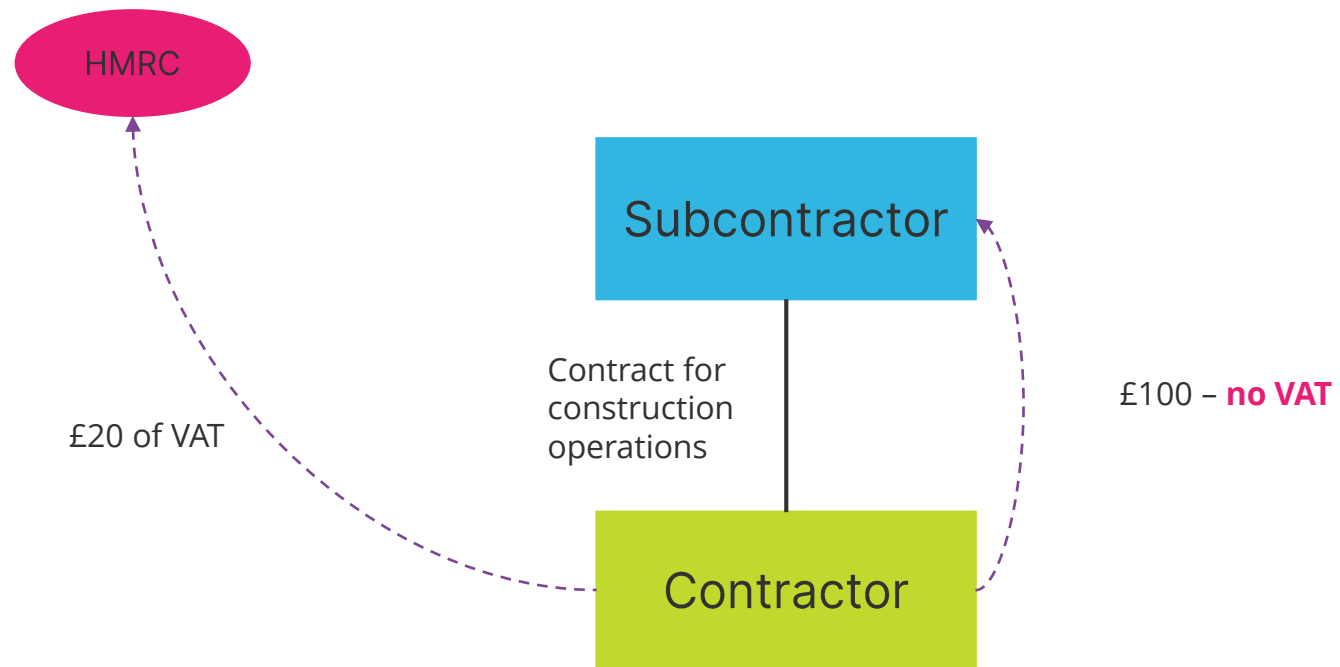
VAT and The Reverse Charge

- From 1 March 2021
- Applies to supplies of building and construction services where the Construction Industry Scheme would apply
- The recipient of the supply (the payer) is required to withhold VAT and account for it to HMRC
- Exemption applies for “end-users”, but relies on end-user providing a “written notification”

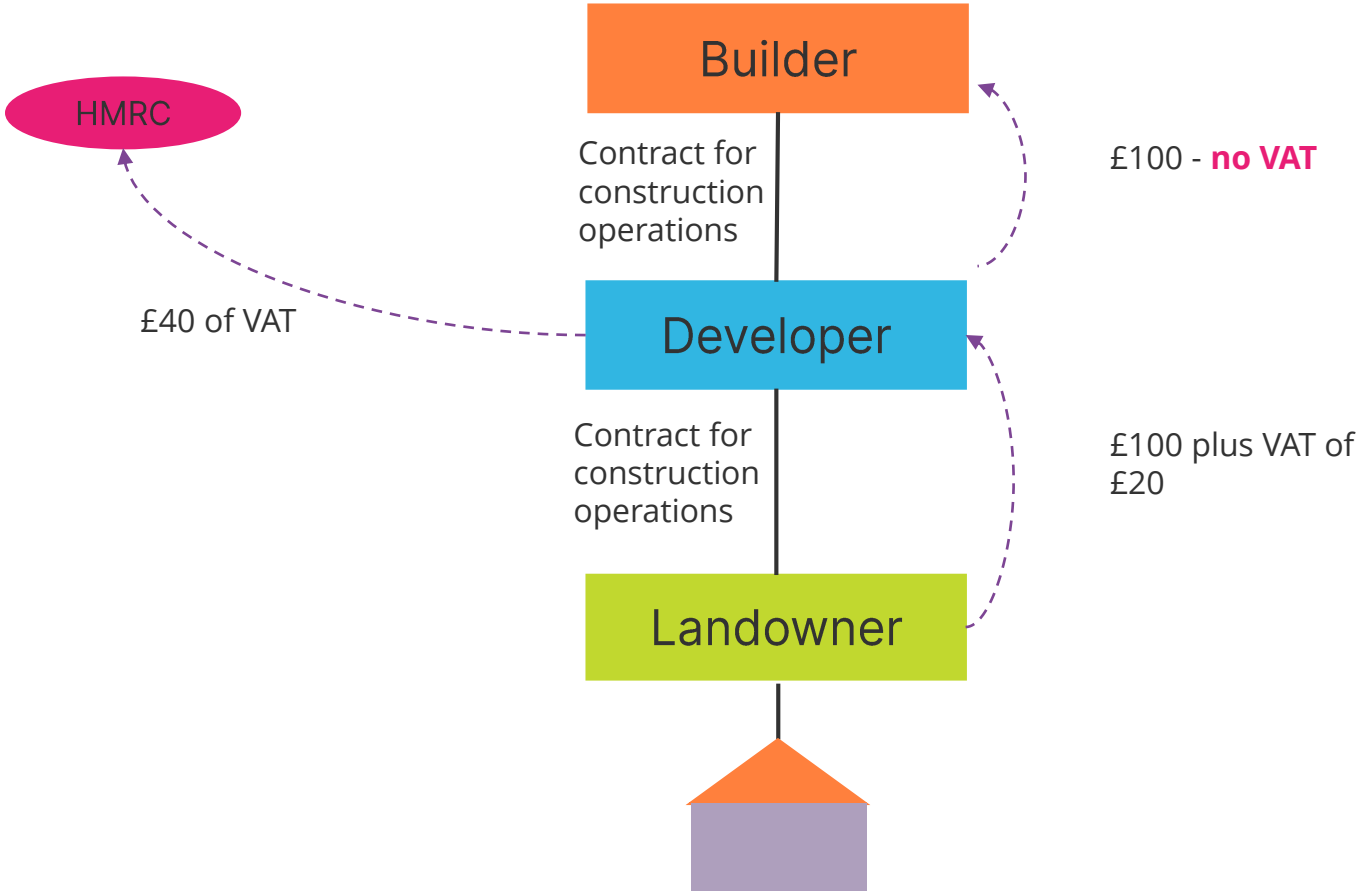
VAT Standard Treatment



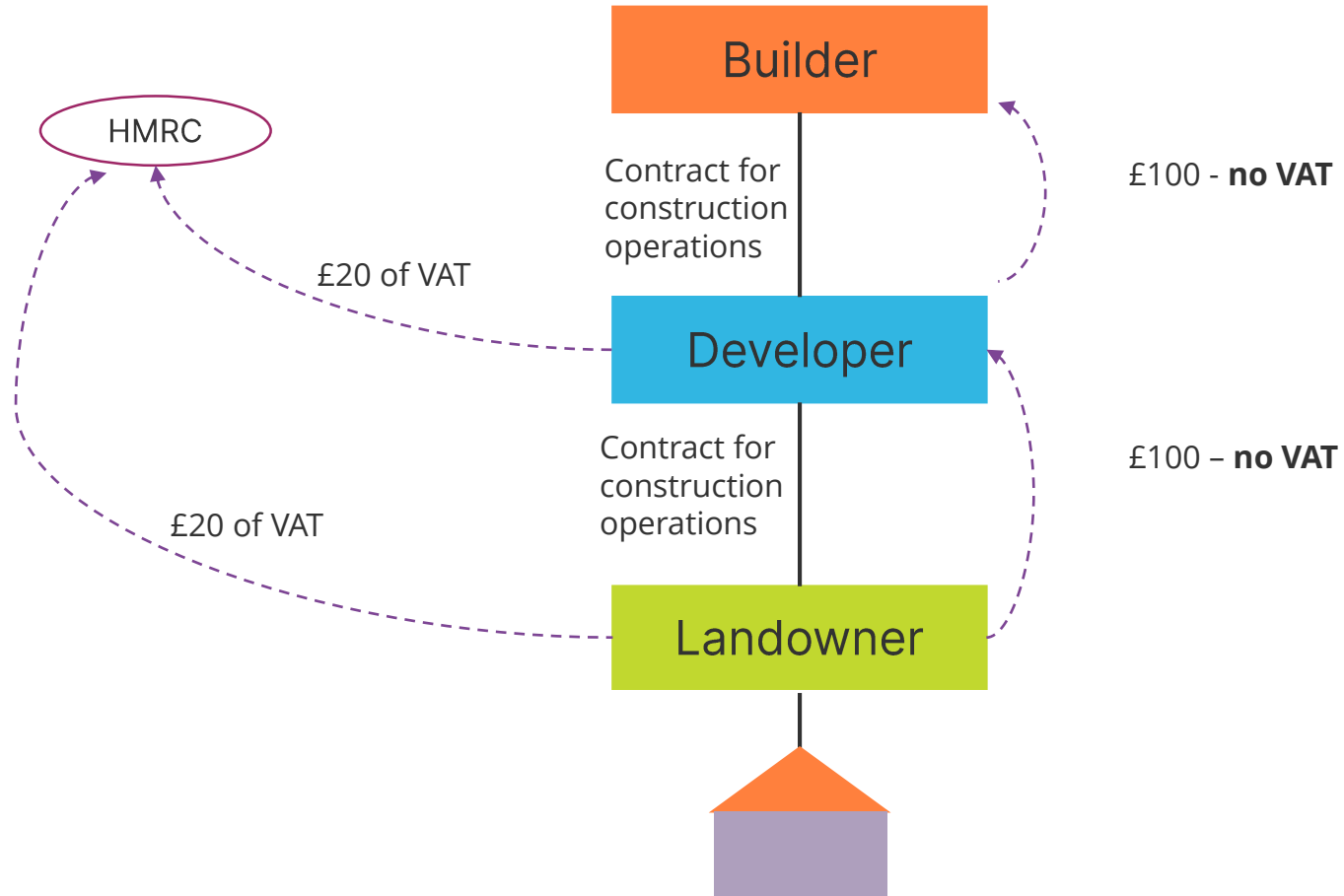
VAT Reverse Charge



End user exemption applies



End user exemption does not apply



VAT and Dilapidations

- HMRC Business Brief 12/2020 – VAT early termination fees and compensation payments
- Implications for real estate
 - Break option fees
 - Payments to terminate sale contracts
 - Liquidated damages
- HMRC considering the position on dilapidations – uncertainty remains
- HMRC approach to “compensation” more generally

The 2% SDLT Surcharge

- From 1 April 2021
- Applies to acquisitions of residential property by “non-residents”
- Meaning of non-resident:
 - Individuals – spent less than 183 days in UK in last year
 - Partnerships – any of the partners non-resident
 - Companies
 - Non-UK companies
 - UK companies where both “close” and under “non-UK control”

The Superdeduction

- Capital allowances - of interest to investors and occupiers
- Tax deduction equal to 130% of cost of new items of plant and machinery
- Deduction limited to 50% “first year allowance” for long life assets and integral features
- Available for expenditure incurred between 1 April 2021 and 31 March 2023
- Potential for clawback when assets are sold

The change that wasn't

- No change to the rates of capital gains tax
- However, changes announced to the rates of corporation tax
 - 19% until April 2023
 - 25% from April 2023
 - Small companies rate and taper relief
- Forward planning - Disposal of assets prior to increase in rates?

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Your hosts

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