



ABEL ON PROPERTY

Capital Gains Tax and the 60-Day Rule

by Harish Verma & Awais Jawaid, Chartered Accountants

Book 4 of 14

A note from Harish & Awais Jawaid

I have been an accountant for 40 years. In that time I have watched good landlords get hurt by one rule more than any other. It is the 60-day rule.

You sell a property. You think the tax can wait until your tax return. It cannot. HMRC wants the gain reported and the tax paid within 60 days of the sale — long before your return is due.

Miss it, and the penalties start before you have even thought about the numbers. I have seen it happen to careful, honest people who simply did not know.

I wrote this little book so it never happens to you. Plain English. No jargon. Just what you need to know, and what to do.

P.S. Scrooge needed three ghosts to learn his lesson. You only need this little book \u2014 and 60 days.

— *Harish Verma & Awais Jawaid, Chartered Accountants*

Inside this book

- 1 What this tax really is
- 2 The 60-day rule
- 3 Working out the gain
- 4 The reliefs that shrink the bill
- 5 The folder that saves you money
- 6 The mistakes that cost the most
- 7 Before you sell: plan it
- 8 The short version — key points
- 9 What to do next

Plain English throughout. No jargon. If anything is unclear, call us — that is what we are here for.

What this tax really is

Capital gains tax is simpler than it sounds. You buy something. It grows in value. You sell it. The tax is on the growth — the gain.

Not on the sale price. I say this because I have watched landlords panic at the sale price. A big sale does not mean a big tax bill. It means tax on the difference between what you paid and what you sold for.

For landlords, this tax usually appears when you sell a property that was not your main home. Your own home is normally covered — more on that in chapter 4.

In 40 years I have seen one misunderstanding cost more than all the others: the idea that the mortgage matters here. It does not. What you owe the bank is nothing to do with the gain. The gain is sale price, minus purchase price, minus costs. That is it.

The 60-day rule

Here is the rule in one sentence: when you sell a UK residential property, you must report it to HMRC and pay the tax within 60 days of completion.

Completion means the day the sale legally completes — the day ownership passes. Not the day you agree the sale. Not the day the money lands in your bank.

This is separate from your self assessment return. Many landlords learn this the hard way. They sell in June, plan to deal with it in their January return, and discover the deadline passed in August.

Miss the 60 days and penalties start. Interest too. The clock is short on purpose — so note the completion date the day it is set, and talk to your accountant before it, not after.

- **Exchange** — note the date, and tell your accountant a sale is coming.
- **Completion** — the 60-day clock starts here.
- **Day 60** — the gain must be reported and the tax paid.



Working out the gain

The gain is a simple sum. Start with the sale price. Take away what you paid for the property. Take away the costs of buying and selling — stamp duty, legal fees, estate agent fees. Take away the cost of improvements.

Improvements are the key word. A new kitchen counts. An extension counts. A new roof counts. They add to what the property cost you, so they shrink the gain.

Repairs are different. Fixing a broken boiler keeps the property standing — that is a repair, and it belongs against your rental income, not against the gain. A new kitchen makes the property better than it was — that is an improvement.

Every improvement needs a receipt. No receipt, no claim. I cannot say this strongly enough: keep every receipt from the day you buy.

In 40 years I have seen landlords throw away thousands in tax by losing the receipts for a new bathroom or an extension. A folder of receipts is worth real money.

The reliefs that shrink the bill

Reliefs are the parts of the gain HMRC lets you keep. There are four worth knowing.

- **Private residence relief.** The years you lived in the property as your main home are covered by this relief — plus a final 9 months after you move out. If you lived there for a good stretch, a large part of the gain can disappear.
- **The yearly tax-free allowance.** Everyone gets a slice of gains tax-free each year. The amount changes from time to time, so check the current figure — but never waste it. Timing sales across tax years can save real money.
- **Losses.** If you sold another property or asset at a loss, the loss can be set against the gain. Losses are valuable — never ignore them.
- **Letting relief.** A word of caution: the rules on this relief have been tightened over the years. Do not rely on old stories from other landlords. Take advice on your own facts.

The rate of tax depends on your other income — a higher rate can apply to residential property gains. Your accountant will work out which rate bites for you.



The folder that saves you money

For every property you own, keep one folder. In it: the purchase completion statement, the sale completion statement, every improvement receipt, and a note of the dates you lived there.

That folder is worth money. When the 60-day clock is ticking, you will not have time to hunt through old emails. The landlords who pay the least tax are not the cleverest — they are the most organised.

Start the folder the day you buy, not the day you sell. Add to it as you go. Future you will be grateful.

In 40 years I have seen two types of files: chaos and calm. The calm ones pay less tax. Every time.

The mistakes that cost the most

Let me save you the tuition fees. These are the mistakes I see again and again:

- **Missing the 60 days.** The most expensive mistake, and the most common.
- **Guessing the gain.** A guess is not a calculation. Work it out properly, with the receipts.
- **Forgetting improvements.** That extension you paid for five years ago still counts — if you kept the receipt.
- **Thinking the mortgage counts.** It does not. The gain ignores what you owe the bank.
- **Selling without advice.** A conversation before you sell can change the timing, the reliefs and the bill. A conversation after can only count the damage.

Before you sell: plan it

The cheapest tax advice I ever give is given before the sale, not after.

Timing matters. Everyone gets a yearly tax-free allowance for gains, so spreading sales across tax years can mean less tax. The tax year turns in early April — a sale in March and a sale in May can fall in different years.

Ownership matters too. If the property is owned with a spouse or partner, the gain — and the allowances — may be shared. Get advice on your own setup before you assume.

And talk to us before you exchange contracts. Once contracts are exchanged, the clock is set. Before that, we have choices.

In 40 years I have saved clients more money in a single pre-sale conversation than in a year of bookkeeping. An hour early beats a month late.

The short version

If you remember nothing else, remember this:

- The tax is on the gain — not the sale price, and not what you owe the bank.
- Report the sale and pay the tax within 60 days of completion.
- Deduct the purchase price, buying and selling costs, and improvements — with receipts.
- Check every relief: private residence relief, the yearly allowance, losses — and take advice on letting relief.
- Keep one folder per property, from the day you buy.
- Talk to your accountant before you sell, not after.

Keep this book somewhere safe — and pass it to any landlord friend who needs it. Not all accountants are the same.

ABEL ON PROPERTY

Sold a property — or thinking of selling?

Do not let the 60 days run while you decide. Talk to us before you sell if you can — and the day you sell if you cannot.

We will work out the gain properly, check every relief you are entitled to, and report and pay it on time. No panic, no penalties, no nasty surprises.

Talk to us

Call 020 3051 8236

Email harish@abelaccounts.co.uk

Abel Accountants

3 Hayley Court, Lodge Way

Ashford, Surrey TW15 3AH

Not all accountants are the same.

— Harish Verma & Awais Jawaid