

A report on the Presentation to the Denbighshire County Council Private Landlords' Forum on
CGT at Rhyl Town Hall by Stuart Vessey of Swayne Johnson Solicitors

On 12 December 2006, Stuart Vessey presented a talk at Rhyl Town Hall to the Denbighshire Private Landlords' Forum at the invitation of Denbighshire County Council. The subject was Capital Gains Tax (CGT). Landlords of private rented accommodation are not favourably treated for the purposes of CGT or for that matter Inheritance Tax (IHT).

For tax purposes, the provision of rented accommodation is treated as the holding of investments and not as the carrying on of a trade or business. For this reason, private landlords do not qualify for CGT business asset taper relief (75% reduction in the chargeable gain after two years' ownership). Instead, they are only entitled to non-business asset taper relief (40% reduction after ten years' ownership). Similarly, for IHT purposes, such landlords do not qualify for business property relief (100% after two years' ownership). Somewhat perversely, as Stuart points out, the provision of furnished holiday accommodation is regarded as a trade or business and both the above reliefs will apply, subject to certain other conditions being satisfied.

In an attempt to give some sort of comfort to delegates, Stuart observed that CGT is only a tax on the amount of any gain realised and is therefore something of a "windfall tax" whereas in the right (or wrong) circumstances IHT can attach to the whole capital value of an asset.