



Scottsdale Consulting
INDEPENDENT FINANCIAL ADVISERS

UK Property

Many people are finding it difficult to sell a property when they emigrate. One option is to rent it out with a view to selling when the market recovers.

Appointing a good agent will get over the obvious problems of finding the right tenants, obtaining references, drawing up a legal agreement and collecting the rent. It is important to remember however, that you will still need to insure the property, pay for any repairs, pay the letting agent and probably redecorate every couple of years.

If you have a mortgage, you will need to obtain the consent of your lender and ensure that the rent income will cover the mortgage payments and the costs mentioned above.

There are 3 taxes that you will need to be aware of.

Income Tax

The rental income will be liable for income tax in the UK. You will still have a personal allowance even when you are no longer resident here. In fact, if you jointly own your home, you will have 2 personal allowances to reduce the tax liability further.

The rental income will also be taxed in Australia but any income tax paid in the UK can be offset to avoid double taxation.

Capital Gains Tax

Your main residence is not subject to capital gains tax in the UK, but if you sell an investment property, that will be.

However, non-residents do not pay UK capital gain tax as long as they remain abroad for at least 5 complete tax years. A good tip is to delay selling an asset such as a buy-to-let property until at least the 6 April following your departure from the UK.

Australian capital gains tax is payable only on the increase in value between arriving in Australia and when the property is sold. It is therefore important to get a written valuation very close to the date of departure. The amount of capital gains tax payable depends on when the sales takes place so professional advice is important.

Inheritance Tax

There is no inheritance tax in Australia. However, UK domiciled individuals are liable to inheritance tax in the UK on their worldwide assets. It is a complicated and lengthy process to change your domicile from the UK to Australia, and owning property here makes it doubly difficult.

Currently the rate of UK inheritance tax is 40% on worldwide assets above the annual allowance. The allowance for the 2010/2011 tax year is £325,000. No inheritance tax is payable on transfers between spouses and civil partners.

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