

What would Capital Gains Tax mean for you?

by Brent Smith

The election is looming and the nit-picking through party policies is in full swing, but there's one policy topic that really gets us thinking here at Iron Bridge – what would a Capital Gains Tax actually mean for people with investment property?



A Capital Gains Tax (CGT) is a tax taken off the profit from the sale of a property or investment. With the housing market tight and very expensive, it's seen as a way to ease the pressure and open up opportunity to buy, as some investors are put off purchasing because of the CGT they have to pay upon sale of their property investment.

A CGT is a very real possibility sometime in the future, so it pays to know exactly how it could play out with different parties.

THE LABOUR STANCE

1. Labour says they will introduce a CGT “so that people who make money speculating on the housing market and other **assets** have to pay tax on that income”.
2. Labour suggest a “simple low flat rate of 15%”. This tax will be applied to **net** gains.
3. The family home, personal assets, collectables, and small business assets sold at retirement remain exempt.
4. The tax will be applied to property at the point of sale.
5. Labour say the tax will “only apply to gains **accrued after implementation**. Past gains not affected”.

Other points of note in the Labour policy:

6. Capital Gains on inheritance passed on after death will be rolled over to the **heir**. Labour also state they will ensure trusts are not used to avoid CGT.

You can read Labour's policy in full, [here](#).

THE GREEN STANCE

The Green's policy on CGT differs, in that:

1. They will apply the CGT at the marginal tax rate (up to 33%).
2. They state they will allow for inflation adjustment on this.

You can read Green's policy in full, [here](#).

No other parties in this election are proposing the introduction of a Capital Gains Tax.

OUR STANCE

It's pretty obvious that our business is based around the ownership, sale and management of property. This should certainly hint at where we stand on this CGT issue. Here's our thinking:

- We believe the Labour policy is not just targetting property 'traders' but the ordinary home-owner with a little bit of equity in their home who buys one investment property to help

with their retirement. These people provide the backbone of the rental market in the private sector, and this tax will discourage them from investing in this type of asset.

- The government will not come anywhere near to meeting current housing needs without the help of the private investor, and this tax will only exacerbate the shortage.
- We also believe this cycle will see supply and demand drive up rents and eliminate any hope of the “affordable housing” goal the CGT is meant to solve.

However the election plays out, there will be an effect on property ownership as it’s such an important focus at present. How that pans out in reality, we’ll have to see! But you do have an influence. So have your say on 20th September!

Got an opinion on the Capital Gains Tax? Let us know on the blog...