

Capital Taxes

Inheritance tax (IHT) and Agricultural Property Relief (APR)

APR reduces the value of agricultural property chargeable to IHT. Before Budget Day APR was restricted to property in the UK, the Channel Islands or the Isle of Man. Finance Bill 2009 will extend relief to agricultural property in the European Economic Area (EEA).

IHT due or paid on or after 23 April 2003 in relation to agricultural property located in an EEA state at the time of the chargeable event will become eligible for relief.

Property qualifying for this extended IHT relief will also qualify for capital gains tax (CGT) hold over relief. Hold over relief allows deferral of a CGT charge (on a gift or sale at undervalue of a business asset) until the asset is disposed of by the recipient.

Hold over relief will be available in respect of disposals of agricultural property located in a qualifying EEA state in the past. The time limit for claiming hold over relief is five years from 31 January following the tax year to which the claim relates. Claims to relief in respect of the tax year 2003/04 can therefore be made until 31 January 2010.

IHT and Woodlands Relief (WR)

Where conditions are met, WR allows IHT to be deferred on the value of timber or underwood until it is sold. Before Budget Day WR could only apply in respect of land located in the UK. Finance Bill 2009 will extend WR to property in other qualifying EEA states.

For deaths before 22 April 2009, property located within an EEA state will become eligible for WR. The time limit for obtaining WR is usually within two years of the date of death.

Stamp duty land tax (SDLT)

The Chancellor announced a 'holiday' from SDLT in September 2008 which exempted from SDLT any acquisitions of residential property of not more than £175,000. The measure applied to acquisitions between 3 September 2008 and 2 September 2009 inclusive.

Legislation will be introduced to extend the increased threshold to land transactions where the effective date for SDLT is before 1 January 2010.

After that date the SDLT threshold for residential property will revert to £125,000.