

## **Capital Gain? Tax change means most BTL investors will be winners.**

Buy-to-let investors are to benefit from a large reduction in tax liability on the sale of their investments.

Over a million second home owners will benefit from a reduction in capital gains tax, which will be cut from up to 40% to 18%, from next April.

The change, which was announced by Chancellor of the Exchequer Alistair Darling, in his pre-Budget report, is believed to be aimed at increasing the amount of capital gains tax paid by private equity investors.

However, tax experts agree that the Chancellor has inadvertently handed a major tax break to buy-to-let investors and second home owners, who could save thousands of pounds when selling a property.

Currently, people who own more than one home pay capital gains tax on the difference between the price they paid for a property and the price at which it is sold.

This applies to all properties owned, apart from the one in which they are permanently resident.

The rate paid is 40% for the first three years that the property is owned, after which it reduces by 2% per annum, to a minimum rate of 24% after 10 years of ownership.

The new flat rate of 18% for capital gains tax is designed to simplify the system and will bring the rate for business and non-business assets in line.

Property experts expect the change to boost the housing market during 2008, although sales of properties liable for the tax are likely to be in short supply until next April.