

Land, buildings and rollover relief

Julie Butler points out the tax planning possibilities of rollover relief on property.

With the increase in tax relief available for business asset taper relief post 6 April 2002 there are arguments to say that rollover relief is becoming less and less attractive. Additionally the interaction of rollover relief and taper relief together with other reliefs has become increasingly complicated.

However, the benefit of rollover relief and tax planning around it should not be dismissed.

In practice the most widely used class of asset for rollover relief is that of buildings and land. It is important to note these are sub-divided for the purposes of rollover relief into the following two classes:

- ◆ The land occupied (as well as used) only for the purpose of a trade; and
- ◆ Any building or part of buildings and any permanent or semi-permanent structure in the nature of the building occupied (as well as used) only for the purpose of a trade.

The fact that buildings and land are identified separately can be helpful to the tax planner when trying to match disposable assets against the position of various other assets when dealing with

the claim for rollover relief.

For example, if land is sold with a building on that land, it is possible to divide the sale proceeds between two different assets, namely the building and the land. Likewise when the land and buildings are purchased it is possible to divide them into two separate classes of asset. This means that the gain on one class would be used to absorb, for example, annual exemptions and/or losses for capital gains tax and the other could be the subject of a rollover relief claim.

This can also be useful in planning for their interaction with business asset taper relief.

There is a greater need for careful valuation and identification of the assets. Additionally, more discussions with the district valuer could arise. However, it can be something that can be extremely useful and should not be overlooked in the tax planning of land sites.

Care must be taken, in making a rollover relief claim, that the buildings, structures and land satisfy the business occupation test. There are restrictions which can lead to the claim for rollover relief being refused.

These are:

- ◆ where the taxpayer is dealing in or developing the land, rollover relief does not apply to assets held as trading stock (*TCGA 1988, s156(2)*). This exclusion does not, however, relate to claims from the sale or disposal of an asset which would not be included in the calculation of trading profit. It is therefore important to note that a dealer or developer can make gains on such assets as a builders yard, showroom or other capital assets used for the purpose of the trade.
- ◆ where the trader is providing services for the occupier of land in which the person carrying on the trade has an interest.

When dealing with the rollover relief claim and reviewing the restrictions and decisions connected with the transaction it is vital to investigate the potential advantages of using the distinction between land and buildings.

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Julie is the author of the forthcoming Tolley title Tax Planning for Farm and Land Diversification, ISBN: 0754517691.

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June indexation

The value of the Retail Prices Index for June 2002 is 176.2 (January 1987 = 100).

The table below applies only to

bodies within the charge to corporation tax on their capital gains.

For those within the charge to capital gains tax, the *FA 1998* provisions mean

that for assets acquired before April 1998 and disposed of after 5 April 1998, the figures for the indexed rise will be as set out in the April indexation table, shown at TPT 1998, p92. ■

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Jan	-	1.133	1.029	0.932	0.831	0.762	0.706	0.587	0.474	0.353	0.299	0.278	0.247	0.207	0.173	0.141	0.105	0.078	0.058	0.030	0.017
Feb	-	1.124	1.021	0.916	0.824	0.755	0.699	0.576	0.466	0.346	0.293	0.269	0.240	0.199	0.168	0.137	0.099	0.076	0.052	0.024	0.014
Mar	1.218	1.120	1.014	0.899	0.822	0.751	0.693	0.569	0.451	0.341	0.289	0.265	0.236	0.195	0.163	0.134	0.096	0.074	0.046	0.023	0.010
Apr	1.174	1.091	0.988	0.859	0.804	0.731	0.665	0.542	0.408	0.324	0.269	0.253	0.222	0.183	0.155	0.127	0.084	0.067	0.036	0.018	0.003
May	1.159	1.082	0.980	0.851	0.801	0.729	0.659	0.532	0.396	0.320	0.265	0.249	0.218	0.178	0.152	0.123	0.078	0.064	0.032	nil	nil
June	1.153	1.077	0.975	0.847	0.802	0.729	0.653	0.527	0.391	0.314	0.265	0.250	0.218	0.176	0.152	0.119	0.078	0.064	0.030	nil	-
July	1.152	1.066	0.978	0.850	0.807	0.731	0.651	0.526	0.390	0.317	0.269	0.252	0.224	0.182	0.156	0.119	0.081	0.067	0.033	0.017	-
Aug	1.151	1.057	0.959	0.845	0.801	0.726	0.633	0.522	0.375	0.314	0.269	0.247	0.218	0.175	0.151	0.112	0.076	0.065	0.033	nil	-
Sept	1.153	1.047	0.955	0.846	0.792	0.721	0.625	0.511	0.363	0.309	0.264	0.242	0.215	0.170	0.146	0.106	0.072	0.060	0.026	nil	-
Oct	1.142	1.040	0.943	0.843	0.790	0.712	0.609	0.500	0.352	0.304	0.259	0.243	0.213	0.176	0.146	0.105	0.071	0.058	0.027	nil	-
Nov	1.132	1.033	0.937	0.837	0.775	0.704	0.602	0.487	0.355	0.299	0.261	0.244	0.213	0.176	0.145	0.104	0.072	0.057	0.024	nil	-
Dec	1.136	1.028	0.939	0.835	0.769	0.706	0.597	0.483	0.356	0.298	0.266	0.242	0.207	0.169	0.141	0.101	0.072	0.053	0.023	nil	-