

## INHERITING A PROPERTY

In general, there are three main options open to you when you inherit a property, as described below. (Please note, the information provided below relates to England, unless otherwise stated.)

- **Selling an inherited property.** If you wish to sell a property that has been inherited you will need to consider the tax implications. Capital Gains Tax (CGT) is paid on gains made from selling or disposing of assets, which includes residential and business property. This tax is only payable where an asset has increased in value since you acquired it and you will not have to pay any CGT if your total gains are less than the annual exempt amount, which is £10,600 in 2011/12. Also, there are a number of allowances, reliefs and elections that can reduce the amount of CGT that you have to pay. For more information about CGT, visit [www.hmrc.gov.uk/cgt](http://www.hmrc.gov.uk/cgt).

You should note, also, that although Home Information Packs (HIPs) are no longer required (they were suspended by the Coalition Government in May 2010) you are still required to produce an Energy Performance Certificate (EPC) when selling a property. To find an assessor in your area, visit [www.epcregister.com](http://www.epcregister.com). The price of an EPC is set by the market and will depend on the size and location of your property, but should be in the region of £50 - £150. You can compare prices in your area by using the comparison tool available at [www.epccompare.com](http://www.epccompare.com). You will need to enter the number of bedrooms available in your property and your postcode to use the service.

- **Keeping an inherited property.** If you decide to do this, you should take note of the following:
  - You should transfer ownership at the Land Registry: [www.landregistry.gov.uk](http://www.landregistry.gov.uk). Once you have done this, you can sell the property, obtain a second mortgage at a later date and prove ownership if you are required to do so.
  - If you are already a property owner and you inherit another property, you need to decide whether to nominate one of your properties with the Tax Office as your main residence. This is because when you sell your main residence any profits you make will not be liable to CGT, whereas profits on a property that is not your main residence are subject to this tax. You can change the property that you nominate at a later date if you wish.
  - If there is still a mortgage on the property you could be responsible for taking on mortgage payments when you inherit. If mortgage payments are missed there may be a danger that the property could be repossessed by the lender. Check that the person leaving the property to you has not taken out insurance to cover the mortgage in the event of their death. Also, some people may stipulate in their Will that the cost of the mortgage should be taken from their estate. You should note that if the property that has been inherited is still mortgaged, inheritance tax (IHT) and CGT are assessed on net gains, which means that the mortgage will be taken into account when the amount of tax is calculated.
- **Letting an inherited property.** If you decide not to move into the property but instead want to let it to tenants, it is treated as a business for tax purposes and you will need to keep accounts and fill in a self-assessment tax return each year. In certain cases you could inherit a property that has someone living in it, such as a tenant or a relative. If the property is tenanted, or you intend to let the property, you must understand your obligations as a landlord. This includes the following legal requirements:

- It is the landlord's responsibility to maintain the property in good order, and to carry out any necessary repairs to the internal and external parts of the building and services. All structures, installations, services, sanitary fittings and heating systems must be maintained and kept in full working order.
- All gas appliances should be checked for safety on a regular basis. More information about safety check requirements can be obtained from [www.gassaferegister.co.uk](http://www.gassaferegister.co.uk).
- You must find out whether your property is a House in Multiple Occupation (HMO) and whether it will need to be licensed. An HMO is legally defined as any property that is occupied by persons who do not form a single household. Licensing criteria can vary between local authorities, so contact your local authority direct for more information.
- You are required to comply with the Furniture and Furnishings Fire Safety section of the Consumer Protection Act 1987 to ensure that all items of furniture are safe. Furniture that does not meet the required safety standard must either be replaced or treated with a flame retardant substance.
- You are required to comply with the Portable Appliance Safety section of the Consumer Protection Act 1987 to ensure that all electrical items are safe. All portable electrical appliances must be inspected and tested regularly by an approved electrician. More information can be obtained from the Electrical Safety Council (ESC): [www.esc.org.uk](http://www.esc.org.uk).
- Your property must comply with the Housing Health and Safety Rating System (HHSRS). More information about the HHSRS can be obtained from [www.communities.gov.uk](http://www.communities.gov.uk).

More information about becoming a landlord can be obtained from the Residential Landlords' Association ([www.rla.org.uk](http://www.rla.org.uk)) and the National Landlords' Association ([www.landlords.org.uk](http://www.landlords.org.uk)). If you are interested in becoming a landlord you may find it useful to join one of these associations as you can access useful information and advice, and network with other landlords. There are also local landlord associations that are available to offer support and advice on a local basis.

Comprehensive information and advice about all these issues is provided in *Investing in Property for your Children*, by Catherine Dawson (Lawpack, £14.99). If you are interested in property development and becoming a landlord, you may find the following book useful: *The Complete Guide to Property Development for the Small Investor*, by Catherine Dawson (Kogan Page, £12.99).

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