What's love got to do with it?

PRIYA KOTECHA discusses how the tax rules impact you if you are married

FACTFILE

Priya Kotecha (FCA, DipPFS) is a partner and chartered accountant with Mac Kotecha & Company, established for over 30 years, where her and the senior partner deal exclusively with dentists. They offer accountancy, taxation and payroll services in addition to invaluable advice on practice management, buying/setting up a practice and other dental issues.

It is that time of year again. If you are single, rather than counting your blessings that you have no nagging spouse to deal with, you are probably moping about lamenting the fact that it is 'another Valentine's Day alone'. If you are married, you are probably frantically searching for a suitable present after last year's vacuum cleaner fiasco ('but darling – I thought it *was* romantic. And practical').

If you are thinking of getting married (or are married and want to know how this affects you for tax) read on!

Normal tax rules don't apply to married people (which also includes people in civil partnerships so wherever I mention spouse in this article I am referring to civil partners as well) so it is worth knowing how this will impact you. Here are a few of my favourites:

1. You are only allowed one Principal Private Residence (PPR) between you

Usually when you dispose of property, if you make a gain, you have to pay CGT (another short form – this time Capital Gains Tax). For higher rate taxpayers this is 28% currently on residential property. However, your main residence (the family home for most people) is exempt so you don't have to pay CGT on any gains on this. If you are married and you and your spouse both own a property, you can only have one PPR between you which means that one of those two properties may now fall within the scope of CGT. (I say 'may' because there are some great little exemptions available so worth chatting to your accountant about this!)

2. You can gift assets to each other without incurring CGT

Normally if you gift an asset to someone (say a property) you are 'deemed' to have sold it for its market value and have to pay CGT on the 'deemed' gain. However, this doesn't apply to gifts to spouses. This can be particularly useful if you are due to make a gain on an asset of more than the annual exemption (tax free amount of gain you are allowed to make each year – currently £11,700). Let's suppose you are going to sell a property and expect a gain of £20,000.

After the £11,700 is deducted, as a higher rate taxpayer you would normally pay CGT on this at 28% (so that's £2,324). If you first transferred the asset into joint ownership and then you sold it, you would EACH have a gain of £10,000 which would be covered by your annual exemption so no CGT to pay!

3. Marriage invalidates a Will

I met a client a few months ago who had just got married to his partner. We discussed wills and my clients happily told me all of that was sorted and he had made a Will before he got married.

Unless such a will states, and is made in anticipation of marriage, getting married immediately invalidates it. Interestingly, divorce does not!

4. There are some great IHT perks

Inheritance tax is payable on your estate on death. You have a nil rate band of £325,000 so, generally, it is only the excess that is taxable. However, there are some great perks available if you are married. Many of these depend on your specific circumstances.

5. You can declare property income in a ratio other than 50/50 if the property is jointly owned

Normally, when you own a property jointly with someone and it pays rent, you each have to declare 50% of the profit (or loss) on your respective tax returns. However, where you are married or in a civil partnership, if there exists a declaration of trust showing that the actual beneficial ownership is different (say 25/75) it is possible for you to declare income on your respective tax returns in that ratio. A formal deed does have to be prepared, signed and submitted to HMRC along with a form (form 17) in order for you to be able to do this though.

This can be particularly useful where one of you is on a lower tax bracket than the other.

So, if you are thinking of proposing to your special someone or indeed if your other half keeps threatening to propose to you, forget seeking permission from the would-be bride's father….ask your accountant what they think! OP

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