

Single Member Cabinet Decision

**Executive
Forward Plan
Reference**

E3141

The Former Radstock Infants School – Payment of tax liabilities arising from a property transaction and authority to dispose of asset

Decision maker/s	Councillor Charles Gerrish, Cabinet Member for Finance and Efficiency
The Issue	This report seeks approval to dispose of the former Radstock Infants School on behalf of the Reverter Trustees. It also seeks approval to make an outstanding CGT (Capital Gains Tax) payment to HMRC. The report covers the background to the property, the reverters and the outstanding CGT bill.
Decision Date	On or after 13th April 2019
The decision	The Cabinet Member agrees to : a) Authorise a disposal of the subject property on the open market on behalf of the trustees. b) Authorise payment of a tax bill to HMRC.
Rationale for decision	<p>The Council now needs to pay the capital gains tax bill with immediate effect. Authority also required to dispose of the asset on the open market to enable a sale.</p> <p>This will enable the Council to realise sale proceeds to pay the CGT and pay the funds realised net of the CGT and other outgoings connected with the trust and the sale to the reverters. The Council has held the asset on bare trusts for the reverters since 2005 and the CGT liability is a liability of the trust and is deductible from the proceeds prior to distribution. Once the trust fund, net of liabilities, has been distributed, the bare trust will have been terminated.</p>
Financial and budget implications	There is a resource implication. The outstanding tax bill of £67,020.40 will be recoverable from the sale proceeds. However, the tax bill will need to be made prior to the sale and provision will need to be made to pay this amount from the suspense account.

<p>Issues considered (these are covered in more detail in the report)</p>	<p>Radstock Infants School closed in 2005 and the pupils and staff relocated to the new Trinity School within the locality. When the school closed, the majority of the land, which was held on trust, reverted back to the original landowner. The remaining section is owned by the Council.</p> <p>Capital Gains Tax was payable from the point the school ceased to be used as a school. The cessation of use of the site as a school would have been a chargeable event for the purposes of Capital Gains Tax.</p> <p>The Reverter Trust, via its trustees (Bath & North East Somerset Council) should have reported the 'disposal' which occurred within the 2005/06 tax year.</p> <p>The Council, acting as agent for the reverter trust, will eventually deduct expenses incurred towards the sale, including the capital gains tax. It should be noted that there is no certainty that the site will sell soon and all sums will be held on the balance sheet until sale. The Reverter Trust consists of descendants of the original benefactor of the land.</p> <p>Bath and North East Somerset Council are acting as trustees on behalf of the Reverter. Therefore, the usual delegated authority by the Head of Estates to dispose of the property does not apply.</p> <p>This report seeks authority from the Cabinet Member to dispose of the property on behalf of the trustees. The trustees have been identified and are in agreement with the Council's proposals to put the site to the open market.</p> <p>Capital Gains Tax should be paid immediately to avoid any further penalty payment.</p> <p>The Council also owns a small plot of land within the school site which will also be sold to generate a capital receipt and will pay a proportional sums towards the cost of disposal incurred.</p>
<p>Consultation undertaken</p>	<p>Tax consultation with the Council's VAT and Treasury Management Accountant. Disposal advice from Colliers International Property Consultants. Cabinet Member for Finance and Efficiency, Head of Property and Officer consultation.</p>
<p>How consultation was carried out</p>	<p>Meetings with and circulation of draft report to the Cabinet Member, officers and other services.</p>
<p>Other options considered</p>	<p>The capital gains tax bill is outstanding and must be settled so no other option is available. Member approval to dispose of the site is also a requirement to enable a sale to progress. There is no other viable alternative option.</p>
<p>Declaration of interest by Cabinet Member(s) for decision, including</p>	<p>None.</p>

any dispensation granted:	
Any conflict of interest declared by anyone who is consulted by a Member taking the decision:	None.

Signatures of Decision Makers	
Date of Signature	

Subject to Call-in until 5 Working days have elapsed following publication of the decision