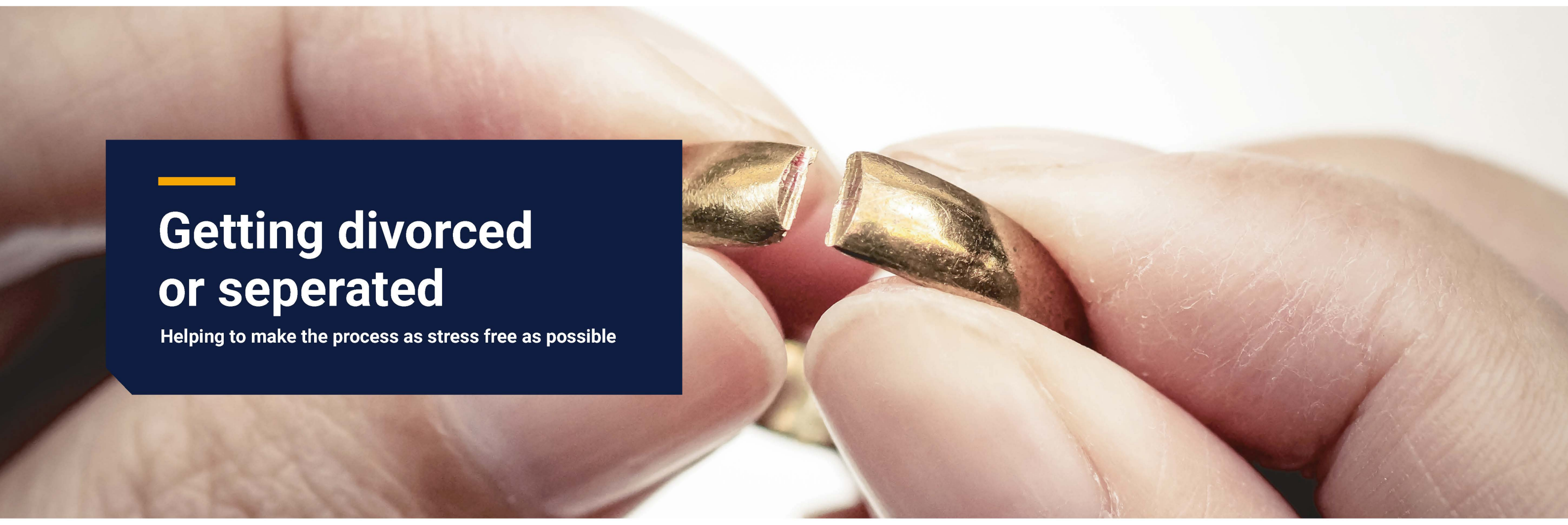
Crowe

**Your Life Builder**



# Getting divorced or seperated

Helping to make the process as stress free as possible

**When separating or getting divorced, tax is not one of the first things that comes to mind. However, it should not be overlooked as transfers of assets between separating spouses or civil partners is likely to have tax implications. Ensuring you have the right planning in place is important to mitigate your tax exposure and reporting obligations.**

## We can help you:

- value your assets and decide how the assets should be split
- consider the Capital Gains Tax (CGT) implications and reliefs available such as Private Residence Relief (PRR) on sale of the family home
- understand the tax implications of Mesher Orders and deferred charges if the sale of the family home is to be deferred
- advise on funding for the children, both now and for the future
- with the disposing of assets so that cash can be divided between both parties and take into account the CGT implications
- with witness reports for the court as a Single Joint Expert
- put in place life assurance and mortgage protection
- decide on your financial settlement including pension pot entitlements
- deal with overseas assets such as bringing funds into or getting funds out of the UK (utilising our Crowe Global network for worldwide tax advice)
- update your Will and financial plan including advising on your exposure to Inheritance Tax (IHT).

**Discuss your circumstances with an advisor ▶**

## A guide to matrimonial disputes

What are the key tax issues to consider when divorcing?


**Read our guide**

## 60 seconds: What you need to know


## Frequently Asked Questions

### What happens to the family home when we split up? Will I have to sell my share?

This will depend on who remains in the property and who eventually 100% owns the property (i.e. who transfers their share to the ex-partner, and when this occurs), or if the property is sold to a third party. The timing of the transfer and potential gains arising will need to be thought through and planned for. If Mesher Orders or deferred charges are put in place (such as PRR) usually so that one partner can remain in the home with the children until the children reach a certain age or education level), you will need to understand the tax consequences at the time of the Order being put in place, when the Order ceases and on eventual sale of the property. We can provide advice as to potential capital gain calculations and if reliefs are available (PRR).

### How do I plan for giving my children financial support if I get divorced?

As part of the divorce, an agreement should be made as to what financial support is given to the children - how much and for how long etc. You will need to understand your obligations to know if any planning is required with regard to whether you can meet these obligations from your income, or if you need to sell assets (which may have potential Capital Gains Tax implications). We can assist with an overview summary to understand your current position, your obligations and suggestions for tax efficient methods to obtain liquid cash to make any payments. This will likely be done in conjunction with a Financial Planner – we can introduce you to our Crowe Financial Planning team if you need assistance in this area.

### Do I have to sell my assets to fund my divorce?

As part of the divorce agreement you may need to transfer certain assets to your ex-partner, and vice versa. Care should be taken with the timings of asset transfers – in the tax year of separation any transfers are deemed at nil gain/nil loss for Capital Gains Tax purposes. After the year of transfer but before the decree absolute (the final divorce paperwork), you are deemed connected persons so market value rules apply and gains may arises so tax may be due. Transfers after the decree absolute are generally still at market value. It is sensible to understand your income and assets to know if assets need to be sold, and the gains arising, and tax implications thereon. Planning can be implemented to dispose of assets with minimal gains arising. If you have property other than your main home and an agreement is made to swap properties between you, there may be tax planning available to mitigate gains arising on the transfers.

### Are some of my assets, like my pension pot, protected on divorce?

This can depend on the type of pension and what is agreed on divorce. Thought will need to be given to the tax implications of 'giving up' pension funds to your ex-partner, and the tax implications when the pension is eventually drawn (either as a lump sum, or annuity or regular payment). Any overseas pensions can sometimes have complications due to both countries wanting their slice of the tax – although most double tax treaties between the UK and the foreign country provide relief against double tax. We can assist with pension tax planning so you know your future tax obligations.

### What is a Single Joint Expert Witness?

Sometimes in divorce, the Court asks for a Single Joint Expert witness to comment on the value of certain assets, and the tax implications of transferring those assets between divorcing spouses/civil partners. This can assist with the divorce agreements so that each party is aware of the consequences and obligations on transfer. Crowe has experience in providing such reports and understanding the format the Court requires and explaining the position to the lawyers and parties involved.

**Contact us for more information**