A regular tax bulletin for all ICPA members **Issue 22 - November 2016**

ICPA **TAX UPDATE**

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Welcome to the November 2016 issue of our quarterly e-magazine Tax Update. In this issue our esteemed editor Mark McLaughlin takes a long look at issues that will affect most of our clients, namely the family home. His insightful articles examine how clients may look to give away an interest in the home, and he also tackles the perennial favourite private residence relief for capital gains purposes.

In a jam-packed edition Mark also turns his attention to the vexed question of private bank statements and how best to make sure that they remain private. Our tax guru also cautions that the timing of events can be crucial to a claim for capital gains tax entrepreneurs' relief, and in his final piece for this issue Mark notes a potentially helpful way of dealing with a refusal by HM Revenue and Customs to give certain clearances on proposed company reconstructions.

Do take some time out of your day to have a read and stock up your knowledge base, because I'm sure these issues will be coming your way in the coming years, if not months.

Tony Margaritelli, Chair, ICPA

Main residence election: is the property a 'residence'?

Mark McLaughlin warns that making a main residence election does not of itself make the property a 'residence' for capital gains tax private residence relief purposes

Many individuals will benefit from private residence relief (PRR) for capital gains tax (CGT) purposes (TCGA 1992, s 222) without knowing very much about the relief. Other individuals will be familiar with PRR, and some might seek to use the provisions to their advantage.

For example, the PRR legislation includes the facility for an individual to make an election to determine which one of two (or more) residences is the individual's main residence for any period, within a specified two-year timeframe (see s 222(5)). This election facility has previously received considerable publicity and allegations that the PRR rules were being exploited in certain cases (e.g. some MPs were accused of 'flipping' their residences to reduce CGT liabilities). This resulted in a tightening of the PRR rules, including in relation to non-resident CGT disposals. However, this article concentrates on UK resident individuals and properties.

Where it can be established that there are

two or more residences, the election generally allows the individual to decide conclusively which residence should be treated as the main one for PRR purposes. HMRC cannot subsequently argue that the elected residence is not the individual's main residence (although they unsuccessfully tried to do so in Ellis v HMRC [2013] UKFTT 775 (TC)). HMRC's own guidance points out (at CG64485): "When nominating which residence is to be treated as the main residence, an individual is not obliged to nominate the residence which is factually his or her main residence."

IS IT A 'RESIDENCE'?

A fundamental requirement for the above election is that the relevant property is a residence of the individual. Unfortunately, there is no statutory definition of 'residence' for these purposes. This has resulted in a number of cases before the courts and tax tribunal.

This 'residence' requirement has the potential to be overlooked, or possibly misunderstood. For example, in Harrison v Revenue & Customs [2015] UKFTT 539 (TC), the taxpayer owned a farmhouse. He also owned, and disposed of, a number of flats in respect of which he claimed PRR. HMRC opened an enquiry into the appellant's tax return for 2009/10, and subsequently challenged the taxpayer's PRR claims for 2009/10 (and also 2010/11). The taxpayer appealed. He informed the First-tier Tribunal that he had always considered the farmhouse to have been his main residence, and that the other properties were 'second homes', which he had elected to be his main residence.

The tribunal considered case law on the meaning of 'residence' (i.e. Goodwin v

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Make yourself at home

Mark McLaughlin points out that giving away the family home (or an interest in it) but continuing to live there is not necessarily 'caught' by IHT anti-avoidance rules

The introduction of the inheritance tax (IHT) 'residence nil rate band' (RNRB) from 6 April 2017 will no doubt encourage many homeowners to retain an interest in their residence until death (or, alternatively, to 'downsize' during lifetime in such a way that a claim for the RNRB will be available on their death, based on the government's subsequent extension of the rules).

CAKE AND EAT IT?

However, in some cases the homeowner may wish to gift all or part of the property during their lifetime, but continue living there (e.g. where a family member is looking after an elderly or infirm relative). If the family home (or an interest in it) is gifted, the 'gifts with reservation' (GWR) anti-avoidance rules (FA 1986, ss 102-102C, Sch 20) must be safely navigated for IHT purposes, to ensure that the gifted property interest is not treated as remaining in the donor's estate.

The GWR provisions can apply if (among other things) an individual makes a gift of property (from 18 March 1986), which is not enjoyed to the entire exclusion, or virtually the entire exclusion, of the donor (FA 1986, s 102(1)(b)). A GWR charge may be avoided if the donor pays a full market rent for any periods of occupation (see FA 1986, Sch 20, para 6(1)(a)). However, family members in particular will often not wish to do so.

A number of IHT planning arrangements involving the family home were blocked by the GWR rules, or targeted by the 'pre-owned assets' (POA) anti-avoidance provisions for income tax purposes (FA 2004, Sch 15), such as reversionary lease schemes, lease 'carve-out' schemes and lifetime debt or 'double trust' arrangements (sometimes referred to as 'IOU schemes'). However, two possible exceptions from the GWR and POA rules are mentioned below.

SHARE AND SHARE ALIKE

The gift of an 'undivided share of an interest in land' (from 9 March 1999) can give rise to a GWR charge, subject to certain exceptions. One such 'let-out' is where both the donor and donee occupy the land, and the donor receives no benefit (other than a negligible one) provided by or at the expense of the donee in connection with the gift (FA 1986, s 102B(4)).

For example, suppose that an elderly widowed mother gifts an equal share of her house to her adult son. They continued occupying the property together, and paid their respective shares of the household running costs, until mother died ten years later. This is the type of situation for which the above exception from the GWR rules was intended to apply (i.e. based on a statement by the Treasury in 1986, albeit that the relevant legislation did not take effect until 9 March 1999).

A potential problem with the 'sharing exception' from GWR is in establishing how much of the household running costs the son (in the above example) can safely pay without mother being 'caught' by the GWR rules. In cases of uncertainty, it may be safer if the donor pays all of the household running costs, or a sufficient amount to put the matter beyond any doubt.

A possible further problem is that the GWR sharing exception continues to apply only while the property is occupied jointly. Thus, if (in the above example) son left home to get married, the GWR exception would cease to apply, unless (say) mother paid a full market rent for her continued occupation in respect of the son's share of the property.

DON'T STAY TOO LONG!

Following a gift of the property, the donor will need to be careful in terms of preventing a possible future GWR charge.

However, it may be possible for the donor

Main residence election: is the property a 'residence'?

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Curtis CA 1998, 70 TC 478, and Frost v Feltham Ch D 1980, 55 TC 10). It also considered the amount of time spent in each of the properties, the degree of continuity and permanence, the expectation of continuity, the furnishings and possessions, the activities carried on, the timing, council tax elections and the appellant's evidence as to his lifestyle at the relevant time. The tribunal found that the farmhouse was at all relevant times the taxpayer's only or main residence. No other property met the legal test. The quality of the appellant's occupation of his second homes (ie the degree of permanence, the degree of continuity or the expectation of continuity) was not sufficient to amount to 'residence' within s 222. The taxpayer's appeal against CGT was dismissed (note: HMRC also assessed penalties on the basis that the taxpayer's behaviour in submitting incorrect returns was deliberate, but the tribunal found that the appellant's behaviour was careless instead, so the penalties were reduced and the taxpayer's appeal was allowed in part).

NO 'MAGIC PILL'

PRR is only available on the disposal of a dwelling house that has been the individual's only or main residence at some point (TCGA 1992, s 222(1)(a)).

Any property subject to a main residence election must also satisfy a residence requirement, ie the election must be between dwelling houses that are both residences; the election is not a 'magic pill' that of itself transforms an occupied property into a residence.

The above article was first published by Tax Insider (www.taxinsider.co.uk).

to continue benefiting from gifted property to a limited extent. Some examples of situations in which HMRC considers that limited benefits to the donor may be permitted (under FA 1986, s 102(1)(b)) without bringing the GWR provisions into play include the following examples (see Revenue Interpretation 55, November 1993):

- a house which becomes the donee's residence but where the donor subsequently stays, in the absence of the donee, for not more than two weeks each year; or stays with the donee for less than one month each year.
- social visits (excluding overnight stays made by a donor as a guest of the done) to a house which he had given away. According to HMRC, the extent of the social visits should be no greater than the visits which the donor might be expected to make to the donee's house in the absence of any gift by the donor.
- a temporary stay for some short term purpose in a house the donor had previously given away, for example:
- while the donor convalesces after medical treatment.
- while the donor looks after a donee convalescing after medical treatment.
- while the donor's own home is being redecorated.
- visits to a house for domestic reasons (e.g. babysitting by the donor for the donee's children).

A TURN FOR THE WORSE

In addition, there is a special relieving provision to prevent unexpected and unfortunate changes in circumstances involving family members. The donor's occupation of gifted property is disregarded if the following conditions are all satisfied (FA 1986, s 102C(3); Sch 20, para 6(1)(b)):

- the occupation results from an unforeseen change in the donor's circumstances; and
- the donor has become unable to maintain himself through old age, infirmity or otherwise; and
- the occupation represents reasonable provision by the donee for the donor's care and maintenance; and
- the donee is a relative of the donor (or his spouse or civil partner).

There is also an exemption from charge under the 'pre-owned assets' income tax regime if the above conditions are satisfied (FA 2004, Sch 15, para 11(5)(d)).

It should be emphasised that these conditions are cumulative, and therefore potentially onerous. Nevertheless, the above provision can be a potentially useful 'let-out' from a GWR charge.

EXAMPLE: GIFT OF HOUSE FOLLOWED BY SERIOUS ILLNESS

Edna gifted her house in Acacia Avenue to her daughter Freda in September 2008. Edna moved into a small bungalow, while Freda and her husband moved into the gifted property as their home.

Unfortunately, in April 2015, Edna (who did not previously have any major health problems) suffered a serious stroke, which left her needing constant care.

Following her release from hospital, Edna moved back to her old house in Acacia Avenue, where Freda looked after her. Sadly, Edna died in December 2015.

In the above example, Edna's gift of the property was made more than seven years before her death. Nevertheless, the house would otherwise be treated as forming part of her estate for IHT purposes under the GWR rules, if the above exception for an unforeseen change of circumstances did not apply.

SERIOUS ILLNESS AND RECOVERY

In cases of serious illness where donors cannot maintain themselves, HMRC accept that occupation of gifted land represents reasonable provision for his care and maintenance (see the example in HMRC's Inheritance Tax manual at IHTM14342, on which the above example of Edna is broadly based). However, this exception from a possible GWR charge would only be available until the donor sufficiently recovered.

The above article was first published by Tax Insider (www.taxinsider.co.uk).

Private bank statements: are they really 'private'?

Mark McLaughlin highlights the importance of keeping business and private transactions separate

Dealing with tax return enquiries by HM Revenue and Customs (HMRC) can be a time-consuming exercise. Part of that time can sometimes be spent arguing with HMRC about the information they are required to see in order to check the accuracy of the tax return.

For example, self-employed taxpayers (or those with a property rental business) might find themselves being asked by HMRC to provide copies of private bank and credit card statements if the relevant accounts have been used for both business and private purposes. However, is HMRC entitled to see information of such a personal nature, and if so, to what extent?

PERSONAL RECORDS

The general rule is broadly that HMRC may send the taxpayer a written notice (an 'information notice') requiring the taxpayer to provide information or produce a document if it is 'reasonably required' to check the taxpayer's tax position (FA 2008, Sch 36, para 1(1)).

However, HMRC's information powers are subject to certain specific restrictions (in FA 2008, Sch 36, Pt 4). One such restriction is that the taxpayer is not required to provide or produce 'personal records' (as defined in the Police and Criminal Evidence Act (PACE) 1984, s 12). One might assume that personal records would automatically include private bank and credit card statements. Unfortunately, that is not the case.

'Personal records' are narrowly defined in PACE 1984, s 12, broadly as records

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Sticking around!

Mark McLaughlin cautions that the timing of events can be crucial to a claim for capital gains tax entrepreneurs' relief

Tax advisers and many individual taxpayers will be aware that entrepreneurs' relief (ER) offers a capital gains tax (CGT) rate of 10% on net chargeable gains of up to £10 million. A claim for ER is available on a material disposal of business assets, such as the disposal by an individual of a company's shares or securities (or an interest in them).

A disposal of shares will typically involve a sale (or possibly a gift) of the shares. However, for ER purposes a disposal of an interest in shares can also include a disposal that is treated as made by virtue of legislation in TCGA 1992, s 122. Those provisions generally treat capital distributions from a company in respect of shares as consideration for the disposal of an interest in them. Thus (for example) this potentially brings capital payments to an individual for a company purchase of own shares within the scope of ER.

COMPANY BUYING OWN SHARES

Generally speaking, when a company buys back its own shares from a shareholder, any payment in excess of the capital originally subscribed for the shares would ordinarily be treated as an income distribution (CTA 2010, s 1000(1)).

However, there is an exception from income distribution treatment on a purchase of own shares in an unquoted trading company (CTA 2010, s 1033). If certain conditions are satisfied (in ss 1034-1043), the transaction automatically falls outside income distribution treatment, and the shareholder is normally treated as receiving a capital payment instead (unless the shareholder is a share dealer, in which case the receipt is treated as trading income).

COMPANY LAW

A company purchase of own shares must comply with company law requirements (in CA 2006) to be valid. Unfortunately, in practice the company law aspects are often overlooked, particularly where family or owner-managed companies are concerned.

Company law is outside the scope of this article. However, one of the requirements for an unquoted (or 'off market') purchase of own shares is that a contract is generally required to be approved in advance (CA 2006, s 693). Either the terms of the contract must be authorised by a company resolution before the contract is entered into, or the contract must provide that no shares may be purchased pursuant to the contract unless its terms have been authorised by a company resolution (CA 2006, s 694(2)) (nb there are separate authority rules for off market purchases relating to employee share schemes, which are not considered here).

Therefore the contract for a company purchase of own shares is not completed until it is duly authorised under company law.

DATE OF DISPOSAL

For CGT purposes, the general rule is that the date of disposal of an asset such as shares is when the contract is made, unless the contract is conditional, in which case the date of disposal is when the condition is satisfied (TCGA 1992, s 28).

In a recent tax tribunal case (see below), the tribunal pointed out that if there is a contract for a company purchase of own shares which is subject to approval by special resolution, the contract has to be a conditional one, and the date of disposal (under s 28(2)) will therefore be the date on which the condition was satisfied.

However, care is needed in the case of contracts with multiple completion. There is anecdotal evidence of HMRC sometimes contending that the date of disposal is determined under TCGA 1992, s 22(1) instead, being the dates when each capital sum is received. This is understood to be on the basis that there is a disposal under the contract, but no corresponding acquisition. Where an ER

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relating "(a) to his physical or mental health; (b) to spiritual counselling or assistance given or to be given to him; or (c) to counselling or assistance to be given to him for the purposes of his personal welfare by any voluntary organisation…".

Even if a bank or credit card statement satisfies the definition of a personal record, HMRC may still issue an information notice requiring the taxpayer to produce the personal record, but omitting any personal information of the above nature (FA 2008, Sch 36, para 19(3)).

'MIXED USE' ACCOUNTS

In Smith v Revenue & Customs [2015] UKFTT 200 (TC), the taxpayer received rental income from various properties. HMRC issued an information notice during an enquiry into the taxpayer's tax return for 2011/12, requesting (among other things) sight of bank statements for any account into which business monies were lodged or business expenditure paid, and credit card statements for any account from which business expenditure was paid. Unfortunately, the taxpayer did not operate separate business and private bank and credit card accounts. He appealed against the information notice.

The tribunal noted that an HMRC information notice does not allow access to 'personal records' within PACE 1984, s 12. However, the tribunal also noted that an information notice may require a person to provide documents that are personal records, omitting any personal information. The tribunal held that HMRC's information notice should be varied (in accordance with FA 2008, Sch 36, para 19(3)), such that the appellant was required to provide the bank and credit card statements, but omitting any personal information.

SEPARATE RECORDS

While the tribunal's decision in Smith does not create a binding precedent, it will probably be seen as a worrying decision by some taxpayers and advisers. It indicates that if a bank or credit card statement sheet contains no 'personal information', it is not a personal record, and that HMRC can request private bank and credit card statements used for mixed (personal and business) purposes, with the omission of the very limited amount of personal information as mentioned above.

It should be remembered that the information requested by HMRC must be 'reasonably required' to check the person's tax position. However, if a private bank or credit card account was being used for both business and private purposes, it would be difficult to argue that the statements were not reasonably required in the context of an enquiry into business profits. Furthermore, there is no right of appeal against an information notice to provide information or produce documents forming part of the taxpayer's statutory records (FA 2008, Sch 36, para 29(2)). To avoid such problems, taxpayers should maintain entirely separate business and private bank and credit card accounts.

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claim is potentially in point, it would therefore be prudent to consider ensuring that the relevant relief conditions are satisfied when each capital sum is received.

ENTREPRENEURS' RELIEF

The timing of disposals can have important implications for tax purposes. For example, a capital payment to an individual on a company purchase of own shares may be subject to an ER claim where certain conditions are met throughout the period of one year ending with the date of disposal. Those conditions (in TCGA 1992, s 169I(6)) are: firstly, that the company is the individual's personal company and is either a trading company or the holding company of a trading group; and secondly, that the individual is an officer or employee of the company (or, if the company is a trading group member, of one or more companies which are members of the trading group).

With regard to the second of these conditions (i.e. the 'officer or employee' requirement), a possible pitfall for ER purposes on a company purchase of own shares is if the individual resigns as an officer and employee before the date of disposal of the shares for tax purposes.

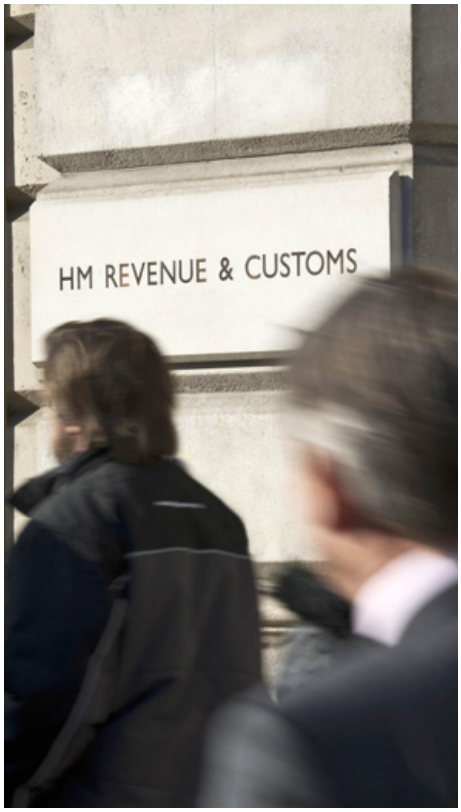
TIMING IS EVERYTHING

In Moore v Revenue v Customs [2016] UKFTT 115 (TC), the taxpayer was a director shareholder of a trading company, who was also employed with the company under a contract of employment. He held 3,000 out of 10,000 issued £1 shares in the company.

Following a dispute between the taxpayer and the other director shareholders, it was agreed that the taxpayer would leave the business. There were unsigned and undated Heads of Terms prepared in February 2009, in which it was agreed that the company would purchase 2,700 of the taxpayer's shares, and that the other 300 shares would be converted to non-voting shares. It was also agreed that the taxpayer's employment would be terminated, and that he would resign as a director.

Subsequently, at a general meeting of the company on 29 May 2009, it was resolved that the company would purchase the 2,700 shares from the taxpayer, and that the company would take additional borrowing. On the same day, the taxpayer signed a compromise agreement for the termination of his employment, and also Companies House papers concerning his resignation as a director. However, that documentation stated that the effective date of the taxpayer's resignation was 28 February 2009.

The taxpayer declared the share disposal on his tax return and claimed ER. However, following an enquiry into the return, HMRC concluded that the taxpayer was not



entitled to ER, because he was not an officer or employee of the company throughout the period of one year ending with the disposal of his shares.

The taxpayer originally contended that the disposal of his shares took place on 29 May 2009, and that this was also the date on which he resigned as a director. However, at the First-tier Tribunal hearing the taxpayer accepted that he had ceased employment with the company and was no longer an office holder from 28 February 2009. Instead, the taxpayer argued that the completion of the negotiations for the disposal of his shares resulted in a binding contract for sale in February 2009, and it followed that this was the date of disposal for CGT purposes. The issue for the tribunal to decide was therefore whether there was an unconditional contract for the disposal of the shares by 28 February 2009.

The tribunal said that the case turned on a simple matter of law. Company law (in CA 2006, ss 693-694) required that a contract for a company purchase of shares must be approved in advance by resolution. That resolution was not passed until 29 May 2009. The company was therefore incapable of entering into a valid contract to purchase the shares until the resolution had been passed. Even if the contract terms had been agreed in February 2009, so that there had been a contract at that time, the tribunal considered that it must have been a conditional contract. The date of disposal under a conditional contract (in accordance with TCGA 1992, s 28(2)) would be the date on which the condition was satisfied (i.e. 29 May 2009). The taxpayer ceased to be a director or employee on 28 February 2009. Therefore the 'officer or employee' condition for ER purposes was not satisfied for the one year period up to the date of disposal on 29 May 2009, so the taxpayer's case was dismissed.

A DIFFERENT OUTCOME?

The Moore case illustrates the importance of timing disposals carefully, in terms of ensuring that the conditions for ER are satisfied at that point. For example, if the company had passed its resolution when the Heads of Terms for the taxpayer's departure from the company were drafted in February 2009, the company law requirement would have been met at that date, rather than in May 2009. This would have strengthened the taxpayer's claim for ER.

Even though the taxpayer in this case ceased to be a director and employee of the company in February 2009, it might have been possible to argue that he effectively continued to be an employee, based on ER case law. For example, in Corbett v Revenue & Customs [2014] UKFTT 298 (TC), the tribunal decided that the taxpayer was entitled to ER on a sale of shares, as it was held on the facts that she remained an employee of the company despite having been removed from its payroll several months before the shares were sold (albeit that although her employment duties had continued, her remuneration was redirected to her husband).

In another ER case, Hirst v Revenue & Customs [2014] UKFTT 924 (TC), it was held that the taxpayer remained an employee throughout the relevant one-year period ending with the disposal of his shares (notwithstanding that he had previously resigned his position with the company), and so was eligible for ER on the disposal. The tribunal accepted that the taxpayer had not been paid commission entitlements due to personal circumstances at the time, and because his financial needs were satisfied by dividend payments received from the company. The company had also continued to provide him with a phone and laptop, and met the costs of his home internet contract.

In Moore, the taxpayer also continued to provide services to the company after his employment had ceased. Unfortunately, his services were provided through a personal service company, rather than being provided directly. Perhaps unsurprisingly, the taxpayer did not seek to argue that the services he provided through his personal service company amounted to a continuation of his former employment. Once again, the taxpayer's claim for ER would have been strengthened had he continued to provide his services in a personal capacity.

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Reconstructing the company: when HMRC says 'no'!

Mark McLaughlin notes a potentially helpful way of dealing with a refusal by HM Revenue and Customs to give certain clearances on proposed company reconstructions

A company's business activities may need to be reconstructed, for a variety of sound commercial reasons. For example, a reconstruction can occur prior to a company takeover, or where different businesses undertaken by the same company are to be separated and operated through different companies.

THAT'S A RELIEF

Company reconstructions come in different forms, depending on the particular circumstances. There are numerous potential tax implications to be considered for the company and shareholders, which are beyond the scope of this article. However, tax reliefs may be available, if certain conditions are satisfied.

For example, there is statutory relief from an immediate capital gains charge for shareholders on a 'share-for-share' exchange (within TCGA 1992, s 135), or on the issue of shares or securities in a 'scheme of reconstruction' (within s 136 and Sch 5AA).

However, the above reliefs are generally not available unless the share exchange or reconstruction is for bona fide commercial reasons, and does not form part of a scheme or arrangements of which a main purpose is the avoidance of a capital gains tax or corporation tax liability (s 137(1)).

IS THAT 'CLEAR'?

It is possible to apply to HM Revenue and Customs (HMRC) for clearance in advance, broadly that HMRC is satisfied that the proposed reconstruction satisfies the above commerciality and purpose conditions (s 138(1)). Of course, HMRC may not necessarily give the clearance requested. For example, there may be more than one way to undertake a company reconstruction. Naturally, the participants will normally prefer the way that results in the lowest overall tax liability. However, HMRC may object (for example) on the basis that tax liabilities arising from the proposed reconstruction are lower than under alternative ways of achieving the same outcome.

Indeed, HMRC could even refuse to give clearance unless the reconstruction is undertaken in a different way, which is more expensive in tax terms. This scenario might seem unlikely, but I have seen it in practice.

NOT TAKING 'NO' FOR AN ANSWER!

However, if HMRC refuses to give clearance (under s 138), all is not necessarily lost. It is possible to require HMRC to refer to the tribunal a refusal to give clearance under s 138 on a share-for-share exchange, or a reconstruction involving the issue of shares.

Alternatively, the clearance applicant can refer the clearance application to the tribunal if HMRC fails to give its decision within 30 days of the clearance application (or the supply of further information).

The effect of the tribunal's decision is broadly that it is treated as a decision by HMRC. For example, if the tribunal disagrees with HMRC's conclusion that clearance should be refused, the tribunal's decision will apply instead; HMRC's decision is effectively overturned.

I have used the TCGA 1992, s 138(4) procedure successfully in the past where HMRC refused to give clearance for a company reconstruction to be undertaken in a particular way, on a business sale to an unconnected third party. HMRC considered that the transactions could be structured differently (and more expensively in tax terms). However, the tribunal disagreed with HMRC.

Unfortunately, in the above case more than twelve months (and protracted correspondence with HMRC) elapsed since the original clearance application was submitted. During that time, the prospective purchaser of the business decided to look elsewhere, and the sale fell through.

DELAYS POSSIBLE

The procedure in TCGA 1992, s 138(4) is not very well known or commonly used. However, it might offer assistance in some cases where HMRC refuse to give the clearances mentioned above. A referral to the tribunal can be a very satisfactory and cheap option in some cases, as there is otherwise no right of appeal against a refusal by HMRC to give those clearances. However, in practice it can take several months, so be prepared for possible delays in the proposed reconstruction.

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