

Capital Gains Tax Rules for Principal Private Residences

Gains arising on the sale of your only or main residence (principal private residence) are exempt from capital gains tax where you occupy the property throughout the period of ownership.

If you have more than one property which could qualify as your main residence you should seek advice as, within certain time limits, you could make a claim for one of those properties to be treated as your main residence for capital gains tax purposes. In the absence of a nomination covering any particular period of time, the question of which is your main residence is decided on the facts, i.e. the property in which you are actually living as your home.

Where a property is not owner-occupied throughout the period of ownership, only the proportion of the gain attributable to the period of owner occupation is exempt.

However, some periods of absence are treated as periods of occupation for these purposes. The following periods of absence from the property are also deemed to be periods of occupation, as long as you occupy the property as your main residence both before and after the period of absence:

- any periods of absence during which you or your spouse were employed abroad;
- any period or periods of absence which do not amount to more than three years in total;
- any period or periods of absence totalling not more than four years where you or your spouse were unable to occupy the property by virtue of the location of your place of work, or because your employer required you to live elsewhere in order to do your job properly.

The last nine months of ownership is also treated as a period of occupation as long as the property has at some time been your main residence (prior to April 2020 this was 18 months). This applies even where the property is not initially your main residence.

Lettings relief

There is currently a lettings relief available where the property has at some time been your main residence, enabling landlords to reduce their capital gains tax liability by up to £40,000 of chargeable gain. From 6 April 2020, this lettings relief will only apply when the owner of the property is in shared occupancy with a tenant.

Reporting and payment

From 6 April 2020 all individuals' gains on residential property must be reported to Her Majesty's Revenue & Customs (HMRC) within 30 days of the completion of the sale and the Capital Gains Tax must be paid to HMRC within 30 days of the sale of the property. A late filing penalty will be imposed by HMRC if the 30 day deadline is missed.

IMPORTANT NOTE: The comments above describe the position under current legislation, and of course, are subject to change if legislation changes.