

Will you have more Capital Gains Tax to pay after 5 April 2020?

In the 2018 Budget the government announced a change to both Private Residence Relief (PRR) and Lettings Relief which could have a significant impact on property owners' Capital Gains Tax (CGT) position, with the amount of tax they have to pay potentially increasing from April 2020.



PRR is available to home owners who, at some point during ownership, occupied their property as their main residence (also known as their principal private residence). PRR reduces any capital gain on sale of the property by the proportion of time that the property was occupied as a main residence by the owner.

Further to PRR, there is an additional relief called Lettings Relief which is available to individuals who qualify for PRR and have let out their old main residence.

Current rulings (up to 5 April 2020)

PRR – PRR reduces any capital gain on sale of the property by the proportion of time that the property was occupied as a main residence by the owner. There is also an additional final period exemption from CGT of 18 months.

Lettings Relief – this provides up to £40,000 of relief (£80,000 for a couple) for those who let out a property that is, or has been in the past, their main residence.

Changes to rulings (from 6 April 2020)

PRR – the final period exemption will reduce from 18 months to 9 months.

Lettings Relief – the relief will only be available to those who are in shared occupancy with a tenant.

Impact

The example below illustrates the tax implications:

- An individual owned a residential property for 7 years.
- For 4 years it was their main residence.
- After 4 years they moved into a matrimonial home and let their old main residence out for 3 years prior to selling it.
- After 7 years the property had gained in value by £115,000.
- For a basic rate tax payer, the Capital Gains Tax due would be £4,500 or more under the new rulings.
- For a higher rate tax payer, the Capital Gains Tax due would be £7,000 or more under the new rulings.

If you have been considering selling your previous main residence you should seek advice immediately to check the tax implications of delaying until after 5 April 2020 as these could be significant.

For further information contact us on **01892 784321** or visit www.honeybarrett.co.uk



Changes to Private Residence Relief and Lettings Relief could be costly!

Honey Barrett
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For advice about Capital Gains Tax on your private residence, and ways to minimise the tax payable, **call our team of experts today.**

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