

PPR relief restrictions

(Lecture P1133 – 10.15 minutes)

Principal private residence relief ensures that gains on main residences are kept outside the scope of CGT. However, there are also ancillary reliefs that extend this important exemption to people who are not in constant occupation of their main residence. For example, when someone is absent from their main residence for any reason, the gains which they make for up to three years are protected. Other reliefs cover gains when people work away from their main residence and gains made when living in employer-provided accommodation.

In order better to focus principal private residence relief on owner-occupiers, the Government intend, from 6 April 2020, to restrict two of these ancillary reliefs which are felt to be overgenerous. The reliefs affected are:

1. lettings relief; and
2. the final period exemption.

By delaying these changes until April 2020 (and the relevant legislation will therefore be included in the next Finance Bill), HM Treasury say:

‘This timetable will give people sufficient time to rearrange their affairs (i.e.. by selling their property) under the current rules, should they wish to do so.’

Lettings relief

At present, lettings relief provides up to £40,000 of relief (and £80,000 for a couple) to those who let out all or part of their home if it is, or has been at any time in the past, their main residence. Thus individuals can claim this relief on a property even if they have not occupied it as a residence for a lengthy period.

With effect from 6 April 2020, this relief is going to change and will only be available to those who are in shared occupancy with their tenant. The old rules will of course apply up to and including 5 April 2020.

Final period exemption

The final period exemption currently means that people do not have to pay CGT on gains made in the final 18 months of their ownership, even if they are not owner-occupiers during this period.

However, a long exemption period entails more relief accruing on two properties (i.e.. the unsold one and the new one) simultaneously. This, say HM Treasury, ‘is out of line with the intention of the exemption which is meant to protect those who move to a new main residence but are unable to sell their original home immediately’.

The final period exemption is therefore being reduced to nine months for 2020/21 onwards. It is estimated that this is still twice the length of the average property transaction.

The special provisions in S225E TCGA 1992 that give a property owner who is in, or moving into, a care home as a 'long-term resident', and a property owner who is disabled, 36 months of exemption are being retained.

Contributed by Robert Jamieson