

## **Budget changes to main residence relief**

In his Budget on 29 October 2018, the Chancellor outlined a number of changes to main residence relief. The changes affect the final period exemption and the availability of lettings relief, which applies where a property which has at some time been an only or main residence, is let out.

### **Main residence exemption**

No capital gains tax is payable on a gain arising on a property which throughout the period of the taxpayer's ownership has been his or her only or main residence.

If the property has been an only or main residence at some point, the taxable gain is reduced. There are advantages of having occupied a property as a main residence at some point, even if it is not occupied as such for the whole period of ownership.

### **Final period exemption**

Where a property has been occupied as the taxpayer's only or main residence at some point, the final period of ownership is exempt from capital gains tax. The final period is currently 18 months (or 36 months where the taxpayer moves into care or is disabled). However, the Chancellor announced in the Budget that this is to be reduced to nine months from 6 April 2020 (but will remain at 36 months for disabled taxpayers and those moving into care).

### **Lettings relief**

Lettings relief is a valuable relief which reduces the chargeable gain when a property which has at some point been the taxpayer's only or main residence is let out. Lettings relief is the lower of:

1. the amount of private residence relief;
2. £40,000; and
3. the amount of the chargeable gain arising as a result of the letting.

It isn't clear yet what the curtailment is to look like – the Government is to consult on the detail in 2019. However, the Chancellor did reveal that post April 2020, it will only be available for 'properties where the owner is in shared occupancy with the tenant'.

### **Impact on landlords**

Occupying a property which is let as an only or main residence for a time is a valuable tax planning tool, opening up the possibility of the final period exemption and lettings relief to shelter the gain. The curtailment of these reliefs will affect landlords who wish to dispose of properties which have been let and which have also been lived in as an only or main residence.

However, the reliefs will remain available in their current form until April 2020, and this allows an element of planning. Disposing of the property before that date will preserve the reliefs in their existing, more generous, form. If a disposal of a let property is on the cards and it has not been an only or main residence, living in it as such prior to sale will help reduce the chargeable gain. There is no minimum period of occupation – the test is one of quality rather than quantity.



**Partner note:** See

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