

Paying tax on the disposal of your home

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A common question we are asked as tax advisors is, 'Do I have to pay [capital gains tax](#) when I sell my home?'

The answer depends on a variety of different things:

- You are due to pay capital gains on the sale of your property which is not your main residence.
- You will not need to pay capital gains if you have one home and have lived in it as your main home for all the time you've owned it.
- If you have more than one home, you still may be able for certain reliefs on disposal.

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Primary Residency

Your primary residence is defined by HMRC as your only or main residence. You are able to nominate which residence to be treated as your main as long as this is made within two years of the date you have more than one residence. If you do not make a nomination, your main residence will be determined by facts. These facts are things such as where you pay council tax, your tv license, where is your registered medical practice, etc.

Period of Ownership

Your period of ownership affects how much capital gains tax you are due to pay. Your period of ownership begins on the date you first acquired the house, or on 31 March 1982 if that is later. It ends when you dispose of it.

If the property you are selling was your primary residence at some point during your ownership, you get full relief for:

- the years you lived in the home
- the last nine months you owned the home - even if you were not living there at the time

If you sold the property between 6 April 2014 and 6 April 2020, you get relief for the last 18 months you owned it.

If you only own one home and you're disabled, in long-term residential care, or sold the property before 6 April 2014 you get full relief for the last 36 months you owned it.

Letting Relief

This has changed, prior to 5 April 2020, you were not required to live in the house whilst letting.

Since 6 April 2020, if you live in your home at the same time as your tenants, you may qualify for Letting Relief on gains you make when you sell the property.

You can get the lowest of the following:

- the same amount you got in Private Residence Relief
- £40,000

- the same amount as the chargeable gain you made while letting out part of your home

Letting Relief does not cover any proportion of the chargeable gain you make while your home is empty.

Qualifying Periods of Absence

Some periods when you were not using the house as your only or main residence will still qualify for relief.

If, for up to a period of 24 months you do not occupy your new home when you acquire it because you're unable to sell your old home, or you need to carry out refurbishment redecoration, or alterations, you can treat up to the first 24 months as if the house had been your only or main residence in that period. The same treatment applies when you buy land to build a house on.

You get relief if you're away from it for:

- absences, for whatever reason, totalling not more than three years in all
- absences during which you're in employment and all your duties are carried on outside the UK
- those absences totaling not more than four years when either:
 - the distance from your place of work prevents you from living at home
 - your employer requires you to work away from home in order to do your job effectively

You must have lived in the home before and afterward unless your work prevented you.

If your property is less than 5,000 square metres

You are exempt from paying capital gains tax if the entire property must be less than 5,000 square meters. This includes both the property and the grounds the property is on. You may choose to sell the land and property separately.

If part of your home is used for business uses only

You may be due to pay capital gains on your property, even if it is your main residence if part of your home was used solely for your business. However, only the proportion of your home which is used exclusively for business would be subject to CGT. If you haven't previously used your annual allowance, you will be able to use this against your gain in relation to the use of a home business.

If the property is not your primary residence

If your property is not your primary residence and you make a gain on disposal, you will be subjected to Capital Gains Tax. The rate of tax which you pay will depend on your income bracket if you are a basic rate taxpayer your gain will be subjected to 18% however if you are a higher rate taxpayer it will be 28%. If this is your only gain for the year, you can use your annual allowance of £12,300 against your gain. Since October 2021, you are due to pay your capital gains tax within 60 days of the disposal.

How can Gerald Edelman help?

If you haven't always lived in your home, we are more than happy to help you work out what reliefs you are entitled to and help you keep your capital gains tax as low as possible. We are also more than happy to fill out all the required paperwork.

To find out more or to speak to a member of our team, [contact us today.](#)