HM Treasury

Budget 2018
Private Residence Relief: changes to ancillary reliefs

- **Private residence relief keeps main residences out of Capital gains tax (CGT). But there are also ancillary reliefs that extend it to groups of people not occupying their main residence.**
- **To better focus Private Residence Relief at owner-occupiers, from April 2020 the government will change two ancillary reliefs that provide relief on rented property and on gains made in the final period of ownership, regardless of occupancy.**

1. All taxpayers have an annual exempt amount (AEA) below which CGT is not due on any gains. But when individuals sell their main residence, they do not have to pay CGT on *any* gains made in that sale because they are protected by private residence relief (PRR).
2. To protect gains made by people in certain circumstances, there are several ancillary reliefs that extend the benefit of PRR beyond those who are occupying their main residence. For example, when somebody is absent from their main residence for any reason, the gains they make for up to three years are protected. Other reliefs protect gains when people work away from their main residence and gains made when living in employer-provided accommodation.
3. To ensure that PRR is better focussed on owner-occupiers, from April 2020 the rules on two ancillary reliefs will change. The period for which the property was someone's main residence will still be protected. This timetable will give people sufficient time to re-arrange their affairs (i.e. by selling their property) under the current rules should they wish to do so.

Lettings relief

4. Lettings relief currently provides up to £40,000 of relief (£80,000 for a couple) to those who let out a property that is, or has been in the past, their main residence. This means that individuals can claim the relief on a property even if they have not lived in it for a long time.
5. From April 2020 the relief will change and only be available to those who are in shared occupancy with a tenant. This change will not affect owner-occupiers or landlords who have never lived in the property they are renting out.

Final period exemption

6. Final period exemption currently means people do not have to pay CGT on gains made in the final 18 months of ownership, even if they are not an owner-occupier during that period.
7. However, a long exemption period means that more relief can accrue on two properties (an unsold one and a new one) simultaneously. This 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.
8. From April 2020, the exemption will be reduced to 9 months. This is still twice the length of an average property transaction. The special rules that give those in or moving into care homes, and people with a disability, 36 months of exemption will not change.