



PATRICIA J ARNOLD & Co Ltd
CHARTERED ACCOUNTANTS

Mr Alan McGuinness
Specialist Personal Tax, Assets and Residence Policy
HM Revenue and Customs
100 Parliament Street
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By email

25 April 2014
PJA/JNC

Dear Mr McGuinness

Consultation: Implementing a capital gains tax charge on non-residents

There is one particular aspect of the consultative document on which I would like to respond and that is, the proposed removal of the election for the main residence for Private Residence Relief (PRR), Questions 10-12.

Question 10 Are there any particular circumstances where changing the PRR election rules might lead to unintended consequences?

1. The document indicates that the changes will come into force from April 2015 and will apply only to gains arising from that date. Does that mean that all elections made prior to April 2015 are still effective for determining gains and relief accruing for periods prior to April 2015? In other words, market value at 5 April 2015 would be need to be obtained and any gains and relief accruing up to that date would be calculated under the old rules, with the new rules applying to subsequent gains arising from 6 April 2015 to the date of disposal. The alternative, of a simple time apportionment calculation could produce very arbitrary and unfair results.
2. It is not uncommon, given current working practices, for a married couple to have a house where one spouse lives most of the time and another property where the other spouse lives for work reasons. Weekends may be spent at either property and therefore it is very difficult to judge which property is occupied for the greater amount of time. If the election for PRR is to be removed then serious consideration should be given to the possibility of giving to each partner in the marriage their own PRR.

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3. For those people who do contract work and purchase a property near where they are working but do not move their spouse and family due to lack of job security, removal of the election could be particularly harsh. If they sell the property at the end of one contract, having moved on to the next contract somewhere else, any gain will be taxable while they really have no choice about their location. Some election to cover this situation should be considered or again the availability of a personal PRR rather than one per married couple.

Question 11: Which approach out of those set out in paragraph 3.5 do you believe is most suitable to ensure that PRR effectively provides tax relief on a person's main residence only?

Of the two approaches suggested, option 1, where the main residence is determined by the balance of all the evidence including factors such as postal address and electoral roll, is the preferred option.

Question 12: Are there any other approaches that you would recommend?

As indicated above, the possibility of each individual having a personal PRR rather than one PRR per married couple would resolve issues where an individual as opposed to a couple has more than one property. It would also remove the difference between unmarried couples and married couples with two properties.

Yours sincerely

For and on behalf of Patricia J Arnold & Co Ltd