# Principal Private Residence Relief

Principal Private Residence Relief (PPRR) is a set of tax rules which are designed to ensure that the proceeds of the sale of a person's home is exempt from taxation under certain conditions.

The existing rules can be complex but allow tax relief for a number of specific absences from the property, including periods of letting. The government is making several changes to the rules, including those that could significantly reduce the amount of relief available. We outline the more important ones below.

Broadly, all the changes apply to transactions undertaken from 6 April 2020.

## The final period of ownership

Generally, the final period of ownership of a person's home will be tax-free, irrelevant of whether it is actually occupied as such (it applies even if the property is rented out during this period). The final period exemption will be reduced from 18 months to nine months. The rules which give 36 months relief to those with a disability, and those in or moving into care, will not change.

## Lettings relief

The new rules state that lettings relief will only apply for periods when only part of the property has been let out, with the remainder of the property still the individual's only or main residence.

This means that lettings relief will not be available for the period/s of time periods where an owner has moved out of the property and therefore no longer shares occupation with a tenant or tenants.

The financial repercussions of this change could mean a loss of £40,000 of relief for an individual, or £80,000 of relief for a jointly owned property (assuming here are 2 owners, for example a married couple), compared to current rules.

## Reporting and payment requirements

In addition to the changes to PPRR, the government is also introducing a reporting requirement on the sale of all UK residential properties. This includes residential investment property and also situations in which the sale of a person's home is not fully covered by PPRR.

In such situations, a special return must be completed within 30 days of completion. In addition, if a person is required to make such a return and, as at the filing date for the return, an amount of tax is notionally chargeable, the person is liable to pay that amount on account on the filing date for the return.

Currently, the date by which you need to report a capital gain and pay tax on the gain is 31 January following the tax year in which the disposal is made so the new requirements are a significant reduction in timescales.

## What to do next?

As can be seen, the above changes may be both complex and financially significant, particularly the changes to lettings relief which are effectively retrospective. However, there is time to plan ahead. If you think that any of the changes may apply to you, please get in touch as soon as possible to discuss possible planning opportunities.