

Example 1

In a simple situation a person bought a house in April 2000 for £100,000, let it out as residential property until March 2019 and sold it in November 2019 for £190,000. The person has no other taxable income or gains in the tax year 2019/20.

	£	
Sale proceeds	190,000	
Cost	<u>100,000</u>	
Total taxable gains	90,000	
Less tax-free allowance	<u>12,000</u>	
	<u>78,000</u>	
Tax payable		
Basic rate band	37,500 @ 18%	6,750
Higher rate band	40,500 @ 28%	<u>11,340</u>
Total tax due		<u>18,090</u>

As the individual has no income in the year the individual cannot use their personal allowance of £12,500.

Example 2

In another situation a person bought a house in April 2000 for £100,000, let it out as residential property until 30 September 2019 and sold it in November 2019 for £190,000. From 6 April 2019 to 30 September 2019 net taxable rental income of £15,000 was received and no interest payable. The person has no other taxable income or gains in the tax year 2019/20.

	£	
Property income	15,000	
Personal allowance	<u>12,500</u>	
Taxable income		2,500
Sale proceeds	190,000	
Cost	<u>100,000</u>	
Total taxable gains	90,000	
Less tax-free allowance	<u>12,000</u>	
Taxable capital gain		<u>78,000</u>
Taxable income and capital gain		<u>80,500</u>
Tax payable		
Basic rate band	2,500 @ 20%	500
Basic rate band	35,000 @ 18%	6,300
Higher rate band	<u>43,000 @ 28%</u>	<u>12,040</u>
	80,500	
Total tax due		<u>18,840</u>

Example 3

More than one residence

Mr X purchased a residential house (say property A) in April 2000 for £100,000 and then purchased a second residential property (say property B) in July 2003 for £150,000. He sold property A in December 2019 for £450,000 and he sold property B in June 2019 for £420,000. Both properties were available for him to live in for the whole time he owned the properties. He made no election for A or B to be treated as his PPR so based on the facts property A is treated as his exempt residence for the

whole period he owned the property. The whole gain on property B is taxable as follows:

Sale proceeds		420,000
Cost		<u>150,000</u>
Total taxable gain		270,000
Less tax-free allowance		<u>12,000</u>
Taxable capital gain		258,000
Tax payable		
Basic rate band	37,500 @ 18%	6,750
Higher rate band	220,500 @ 28%	<u>61,740</u>
Total tax due		68,490

Example 4

More than one residence, but taxpayer made election to treat one as the exempt residence.

Facts are the same as in example 3 except that in January 2004 Mr X made an election for property B to be his exempt residence with effect from July 2003. Then in March 2004 Mr X made an election for property A to be his exempt residence with effect from January 2004.

Capital gain on sale of property B;		
Sale proceeds		420,000
Cost		<u>150,000</u>
Total gain		270,000
Total period of ownership	15 years 11 months = 191 months	
Exempt period (6 months plus last 18 months)	= 24 months	
Exempt gain £270,000 x 24/191 =		<u>33,926</u>
Total taxable gain		<u>236,074</u>

Capital gain on sale of property A;		
Sale proceeds		450,000
Cost		<u>100,000</u>
Total gain		350,000
Total period of ownership	19 years 8 months = 236 months	
Exempt period (236 months less 6 months)	= 230 months	
Exempt gain £350,000 x 230/236 =		<u>341,101</u>
Total taxable gain		<u>8,899</u>

Total gains from property A and B		244,973
Less tax-free allowance		<u>12,000</u>
Taxable capital gain		232,973
Tax payable		
Basic rate band	37,500 @ 18%	6,750
Higher rate band	195,473 @ 28%	<u>54,732</u>
Total tax due		61,482