



Private Client Law Bulletin

FINANCE ACT 2004

Capital Gains Tax – hold-over relief and principal private residence relief

Within the recent Finance legislation were changes to the ability of individuals and trustees to claim principal private residence (PPR) relief in relation to the disposal of a property, if the property were subject to held-over gains. This change in legislation catches all transactions after 10 December 2003.

Holdover Relief was often used when transferring properties into a discretionary trust as part of an Inheritance Tax planning strategy. Prior to 10 December 2003, if properties were disposed of by individuals or trustees in circumstances where an individual was in occupation of the property as their PPR, the whole of the gain attributable to the property, (including any held-over gains) would be exempted from Capital Gains Tax on disposal. This new provision was enacted to block this loophole.

If you have a situation where someone who would qualify for PPR relief is occupying property, subject to a held-over gain, consideration should be given to revoking the holdover election. This would crystallise a charge to Capital Gains Tax in the hands of the donor together with interest.

If funds are not available to meet this Capital Gains Tax charge consideration should be given prior to any disposal of the property to revoking the election at that stage, on the basis that PPR will then be available during the period of occupation.

If you would like an informal chat or require any specific advice in connection with the material contained in this bulletin, or on any other Private Client issues, please contact the Liverpool office on 0151 600 3451 or the Manchester office on 0161 836 8800.

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