

**DISPOSAL OF THE PRINCIPAL PRIVATE RESIDENCE-THE FINANCE BILL  
2014 CHANGES-36 MONTHS REDUCED TO 18 MONTHS**

If an individual has more than one property which he uses as a main residence he can claim the CGT main residence exemption if he unconditionally contracts to dispose of one of the properties even though he has been out of occupation of the same (for up to 36 months) and is claiming the residence exemption on another property. See TCGA 1992 s223(2).

Thus, Mr X may have bought greenacre in 2008 and lived in it as his residence and moved out into blueacre on 1 December 2011.

Under the present law Mr X can elect within 2 years (or longer if Concession D21 applies) from 1 December 2011 to treat blueacre or greenacre as his principal exemption. Let us assume he had elected for blueacre to be his principal residence. This means under present law can dispose of greenacre tax free at any time before 3 years from 1 December 2011 i.e. 1 December 2014.

However, under the Finance Bill 2014 the 36 month period is reduced to 18 months where sale contracts are entered into after 5 April 2014.

The new rules do not apply to contracts for sale entered into before 6 April 2014 provided these are legally completed before 6 April 2015.

So in the above example Mr X must have contracted to sell greenacre before 6 April 2014 if he is to benefit from the 36 months rule. Even then legal completion of the contract must take place on or before 5 April 2015.

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