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Capital Gains Tax on your home if you enter residential care?



It is generally assumed that you do not pay Capital Gains Tax (“CGT”) on your main residence. This was much in the news a few years ago when it was common practice amongst MPs to ‘flip’ their main residence so as to minimise their tax burden. But even for we lesser mortals, and leaving aside the question of CGT on a second or holiday home, there are times when those of us with one home only may be liable to CGT on our home.

Up until April of this year one received an exemption to CGT on gains attributable to the last 36 month of ownership. This covered situations such as leaving one’s home to enter residential care, moving to a new area to take up a new job, one half of a couple leaving the family home prior to a divorce, and a whole host of other similar scenarios.

On 6th April 2014 that 36 month period was halved to 18 months. This is with the exception that the final 36 month exemption is retained where the disposal is by a disabled person or by a person in a care home, provided that owner does not own other property (or have the right to occupy property). CGT relief does not apply where the owner has an interest in any property, including those owned to produce an income, even where they are not immediately available to the owner.

An increasing number of people own buy-to-let property as part of their investments and they will be caught under these new rules. Often family members are reluctant to place a house on the market for sale when an elderly relative enters care because perhaps they hope they will be able to return home once the immediate health issues have been resolved. Sometimes entry into care is done by stealth with increasing periods of respite care leading to permanent residence.

Ultimately it may not make that much difference as often the home has been owned for many years and so the proportion of gain taxable may be covered by the £11,000 CGT annual exempt amount.

However, if there has already been delay in placing the house on the market for sale, and even more so should the property market decline and it take longer to find a buyer and achieve a sale, it is possible that some people may be hit by this change in the law.

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If you require advice on this matter please contact Miranda on 01328 710210. If you require advice on any other legal matter please telephone our Wells office on 01328 710210 or email law@hayes-storr.com.

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