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Common examples of situations where Capital Gains Tax may be payable on the disposal of UK residential property

Example 1: Investment Property (eg buy-to-let)

Alexander bought a flat as an investment in July 2005. Over his period of ownership, he has rented the flat out to a series of tenants but he has never lived in the flat himself. He sells the flat in May 2024 and realises a gain of £65,000. As the flat was never his only or main residence he cannot claim Principal Private Residence Relief. The gain must be reported and the tax must be paid within 60 days of completion of the property sale.

Example 2: Holiday Home

Bruce and his wife, Catriona, bought a small cottage near the coast in 1996 which they used as a holiday home when their children were young. For years they used the cottage every second weekend and for a few weeks during the summer holidays. They have been making less use of the cottage since their children grew up and they have now decided to sell it.

Bruce and Catriona expect to make a total gain on sale of £90,000. This will be split between them equally – so they will make a gain of £45,000 each. The cottage has never been their main residence so they cannot claim any Principal Private Residence Relief.

Catriona and Bruce will each have to submit a return and pay their capital gains tax liabilities within 60 days of completing the sale of the cottage.

Example 3: Inherited Property

Dougal inherited a house from his father in 2016 which he initially decided to rent out. Dougal and his family are currently living in a small flat but their family has grown and they would like to move to a bigger house with a garden for the children.

Dougal decides to sell the house he inherited from his father and put the sale proceeds towards the cost of buying his new home. The house was valued at £450,000 when Dougal inherited it and he expects to sell it for £495,000. Dougal will have a capital gain of £45,000. He will not be able to claim Principal Private Residence Relief as he has not lived in the house during his period of ownership. Dougal will have to report the capital gain and pay the tax due within 60 days of completing the sale of the house.

Example 4: Children at University

Four years ago, Evelyn and Fraser bought a flat for their son to live in while at university in London. They don't charge him a rent. He lets rooms in the flat to friends and Evelyn and Fraser let him keep the rent to help towards his living expenses while he is a student. Their son will graduate in the summer and they want to sell the flat. They expect to realise a gain of £80,000.

As the flat has never been their main home they will not be able to claim Principal Private Residence Relief. It does not matter that their son lived in the flat while he was still financially dependent on them. The gain will be split between them equally - £40,000 each.

They will each have to submit a return and pay their capital gains tax liabilities within 60 days of completing the sale of the London flat.