

Your Legal Questions



Stephen Soper
Partner & Solicitor

Q. We are married and own a tenanted property. Our daughter is going to university and we want to sell this and buy somewhere for her while she studies. What do we need to consider?

A. Firstly, decide whether to sell the property with the tenant or to sell it empty. A good tenant may be attractive but if you can get a better price with vacant possession instruct your solicitor to commence possession proceedings. This can take three months so think ahead.

Secondly, consider the tax implications for both this sale and any sale of the new property. Capital Gains Tax ("CGT") is based on the amount that any second home has risen in value since it was bought (the "Gain"). This Gain can be offset in a number of ways. If you have ever occupied the property as your main home you could claim Main Residence Relief ("MRR") which often exempts the whole Gain from CGT. Additionally, each of you has a personal allowance of £10,100 and as you own the property jointly, these can be added together and used to offset the Gain. Letting relief worth up to £40,000 is also available provided certain criteria are met. If the new property is bought by you as trustees with provision for your daughter to occupy rent free you could claim MRR as trustees without affecting relief on your main home.

Once the Gain has been calculated applying any relevant reduction or relief tax is charged at 18%.

Finally, as with any purchase, Stamp Duty Land Tax ("SDLT") should be considered but provided the property is bought for not more than £175,000, SDLT is not payable.

In considering the tax implications you will see that professional advice is essential.

Stephen Soper is a Partner and Solicitor in the Commercial and Property Department of Powells Solicitors.

Direct dial 01934 637915
soper@powellslaw.com