

## **NO TAX ON HOUSE SALES**

Capital Gains Tax (CGT) is levied on gains realised from the disposal of investments which include immovable property. However, a relief from paying this tax is granted to any person who disposes his or her principal private residence (PPR). The relief applies to any person regardless of the various reasons that may compel the individual to sell their house. The relief also applies whether or not the person stayed in the house before its sale.

### **The PPR**

Generally, a disposal of a house is basically a disposal of an immovable property that would ordinarily be subjected to CGT. However, the Act explicitly provides an exemption in respect of the disposal of a PPR. Although the Act does not provide a legal definition of this term, it generally refers to a person's sole or main place of residence. In circumstances where a person has more than one house, the PPR is construed to be his or her main house where that person habitually lives.

### **The Relief**

Now that we have a clear picture of what is a PPR, it is vital to note that the relief or exemption from paying tax only applies where the PPR was owned for at least 5 years. Consequently, any subsequent exemption will only be granted after another 5 years from the disposal of the first PPR. The exemption applies whether or not the individual replaces the principal private residence. Conversely, CGT will be levied on any gains realised from a disposal of a house that is not regarded as a principal private residence or on gains realised on the disposal of a principal private residence owned for less than 5 years.

### **Conclusion**

Essentially, gains realised from the disposal of a house are free from tax provided the house was owned for at least 5 years and the house was the person's main place of residence. This exemption applies to both citizens and non-citizens but cannot be enjoyed on disposal of PPRs owned through companies.

**Please consult us on the above details for tax consulting or to join our free Tax whatsapp group.**