

# Tax on selling property

If you're selling a property that is your main home you won't have to pay tax on it - provided you satisfy certain conditions. If you're selling a property that isn't your main home, it is likely that you will have to pay Capital Gains Tax (CGT).

## Tax on the sale or disposal of your main home

You do not have to pay tax as long as:

- you bought it, and made any expenditure on it, primarily for use as your home rather than with a view to making a profit
- the property was your only home throughout the period you owned it (ignoring the last three years of ownership)
- you did actually use it as your home all the time that you owned it and, throughout that period, you did not use it for any purpose other than as a home for yourself, your family and no more than one lodger
- the garden and area of grounds sold with it does not exceed 5,000 square metres (about one and a quarter acres) including the site of the house

If you are married or in a civil partnership and not separated you and your spouse or civil partner can have only one such residence between you.

Even if all these conditions are not met, you may still be entitled to tax relief.

## Tax on property that's not your main home

You will normally have a chargeable gain if your property is worth more than you paid for it when you sell or dispose of it. However, the first £10,100 of your total taxable gains are tax free (tax year 2009-10).

It's worth bearing in mind that:

- when working out the chargeable gain you can deduct some of the costs of buying, selling and improving the property
- if you have made a loss on the property, you may be able to set that off against other chargeable gains you may have
- if you are living together you can transfer property to your husband, wife or civil partner without having to pay CGT, but if you give it or sell it cheaply to your children or to others, you may be liable to pay CGT

## What paperwork do you have to keep?

HM Revenue & Customs (HMRC) recommends that you keep the following information and documents relating to the property:

- contracts for the purchase or sale, lease or exchange of the property
- any documentation that describes properties you acquired but did not buy yourself: for example, a gift or an inheritance
- details of any property you have given away or put into a trust
- copies of any valuations taken into account in your calculation of gains or losses
- bills, invoices or other evidence of payment records such as bank statements and cheque stubs for costs you claim for the purchase, improvement or sale of the property

It would also be sensible to keep correspondence with buyers or sellers leading up to the sale of the property.