



## ***Principal Private Residence Relief***

***Article by James Bradley, ACCA, AITI, MSc Finance, on behalf of the CPA Ireland Examinations Team for Professional Level Advanced Taxation, December 2023.***

A Principal Private Residence (PPR) is a house or apartment which you own and occupy as your only, or main, residence.

The sale of your principle private residence is exempt from capital gains tax as long as you have lived in the house for the entire period that you have owned it and it was used as your only or main residence during your entire period of ownership. Your principle private residence includes up to one acre of land used as a garden. If the land used as a garden is to be exempt it must be sold at the same time as the house or apartment.

If a taxpayer owns more than one house, he must nominate in writing to the Inspector of Taxes which one he wants treated as his main residence. A taxpayer can only have one main residence at any period of time qualifying for relief. If a taxpayer has not occupied his residence for the entire period, he has owned it some of the gain will be liable.

In answering PPR Relief questions- students should:

1. Work out the gain on the disposal of the house apartment.
2. Ascertain using the formula below how much of that gain is exempt from CGT.

The gain that is exempt from CGT is:

$$\frac{\text{Total Gain} \times \text{Period of Occupation}}{\text{Period of Ownership}}$$

When you are calculating ownership and non-occupation you ignore all periods of time prior to 6<sup>th</sup> April 1974. This is because capital gains tax was only introduced in 1974/75. There are three periods of time that even - though a taxpayer does not occupy his main residence he will be deemed to have occupied it. These three periods of time are:

- (i) Last 12 months of ownership.
- (ii) Any period the taxpayer was required by his employment to work outside the State. To qualify for this period as deemed occupation the taxpayer must have lived in the house before he went to work abroad, and he must return to live in the house. The taxpayer is not disqualified from this relief if he lets out his main residence while working abroad.

(iii) Any period that the taxpayer could not occupy his main residence due to his working conditions e.g. his employer sent him to Dublin for one year. However, the maximum period allowed as deemed occupation under this heading is a total of four years. Again, for this period to qualify as deemed occupation the taxpayer must have lived in the house before and he must return to live in the house. The taxpayer is entitled to let the property while he is away from his main residence without affecting his relief.