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New rules from HM Treasury and HMRC on Stamp Duty Land Tax

Original news

The measures that George Osborne introduced so that buy to let investors pay an additional 3% SDLT on property purchases completed on or after 1 April 2016 have been widely reported. They led to many conveyancers being exceptionally busy in March to complete on transactions before the deadline. However, that is not the end of it. On 16 March 2016 both HM Treasury and HM Revenue and Customs each issued documents which have further implications for SDLT. Conveyancers need to know their contents.

HM Treasury

It issued a paper consulting on the SDLT changes on 28 December 2015. HM Treasury has now published a summary of those 909 consultation responses on SDLT. These are set out in its 36 page paper '*Higher Rates of SDLT on purchases of additional residential property – Summary of consultation responses*'. This explains the rationale for the changes to SDLT.

HM Revenue & Customs

To accompany this HM Treasury publication, HMRC has published 2 Guidance Notes:

- '*SDLT: Higher rates for purchase of additional residential properties*' (29 pages), and
- '*SDLT: Reform of structure, rates and thresholds for non-residential transactions*' (24 pages).

What will remain exempt from these changes?

The new SDLT rules have been very tightly drawn. These transactions will not be covered by the new rules:

- Houseboat purchases,
- Caravan or mobile home purchases,
- Leasehold properties with less than 21 years remaining, or
- Homes costing less than £40,000.

What is the scope of the changes?

If you are not within these limited exemptions, then anyone – not just buy to let investors – buying an additional property from 1 April 2016 will have to pay an additional SDLT.

What are the new SDLT rates?

Purchase price	Existing SDLT rate	Additional property SDLT supplementary rate
Up to £125,000	0%	3%
£125,000 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1,500,000	10%	13%
Over £1,500,001	12%	15%

How much will this cost a typical home buyer?

For a house costing £300,000, a buyer will need to pay 5% SDLT. The bill will come to £5,000. However, if that buyer already owns a home (for example, he or she has recently inherited a home from a relative) then there will be **additional** SDLT to pay of £14,000. This means a total SDLT bill of £19,000.

Can I get a SDLT refund?

Where someone has inherited a property but is selling their existing family home to move to a new one, then HM Treasury view this as a purchase of an additional property. This means that the additional SDLT must be paid. However, if the inherited property is sold within 36 months of the purchase, then buyers can apply to HMRC Birmingham Stamp Office for a refund of the additional SDLT. HMRC says it will process refunds within 15 working days.

What about couples?

Any property owned by 1 partner who is married or in a civil partnership and living together will be included. HM Treasury is proposing to extend this to any joint buyers. Where a couple has separated, live apart but have not yet divorced – then the extra SDLT charge will not apply where 1 of them buys a new home.

Overseas holiday homes

HM Treasury says that the additional SDLT will apply where a buyer of a home in England, Wales or Northern Ireland already owns a property abroad.

Homes for children

Many parents buy property for their children to live in whilst at university. Unless the property is bought only in the child's name(s) then additional SDLT will be due.

When will the changes come into force?

The new SDLT rules will apply to all completions after 1 April 2016. The Finance Bill 2016 introduced on 24 March 2016 incorporates these changes in Parts 8/9 and Schedule 16.



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