



Stamp Duty Land Tax – The rules are changing on 1 March 2019

From 1 March 2019, the time period in which to submit the Stamp Duty Land Tax Return and pay the duty is changing following completion of a property purchase from 30 days to 14 days. Whilst this probably has more impact on property lawyers than their clients, the tax is a personal tax and the liability lies with the buyer. It is conceivable that some buyers may choose to pay their own tax direct to the Revenue so they will need to be aware of this change. This will also impact upon buyers if their lawyer fails to submit in time as the buyer will be faced with a fixed penalty for late submission.

Stamp Duty Land Tax (SDLT) rules

This is also a good opportunity to review the rules about Stamp Duty Land Tax* generally:

- SDLT is a personal tax payable on the purchase price of a residential property. The liability to pay the tax arises upon completion of the purchase.
- The SDLT is calculated as a percentage of the purchase price which is price banded. The percentage increases with the value of the property ie 0% is charged for the first £125,000, 2% on the next £125,000 up to £250,000, 5% is then charged for the next portion between £250,001 and £925,000 and 10% would be charged for the portion between £925,001 and £1.5 million. Any portion above £1.5 million is charged at 12%.**
- If you are purchasing additional residential properties (in addition to your main residence) there is a surcharge of 3% payable on each banding ie 3% is payable on the first £125,000, 5% on the next band etc.
- The surcharge rate can apply to individuals purchasing property but who may also benefit from a property interest held in trust. There are also specific rules concerning the inheritance of a property.
- The surcharge is payable if you purchase another property (to replace your main residence) before you sell your current main residence. You are, however, able to reclaim a refund of the surcharge provided you complete the sale of your previous main residence within three years of purchase of the new main residence. You will then have a set time frame (depending upon when you sold the previous main

residence) in which to file the repayment claim form.

- The surcharge applies on any second property purchase (taking into account any other property owned personally or where you have an interest in a property, anywhere in the world).
- There is an online SDLT calculator available to assist in calculating the amount of tax payable at <https://www.stampdutycalculator.org.uk>. You should also check the guidance on <https://www.gov.uk/stamp-duty-land-tax> if you are uncertain how SDLT affects your purchase or contact our property team on online.enquiry@la-law.com or our SDLT expert, Kurt Lee on Kurt.Lee@LA-law.com
- SDLT is also payable on a transfer of equity when either two or more parties transfer a jointly held property into the sole name of one or vice versa when one party transfers the property into two or more names and where “consideration” is payable. The consideration may be a monetary sum paid by one party to the other but also includes the taking over of a mortgage debt even if no monetary sum is paid. For example if X and Y jointly own a property and there is a mortgage over it in favour of Z building society, if X transfers its interest to Y whilst the mortgage to Z is still in place, Y will have to pay SDLT on the purchase price paid to X and on X’s share of the mortgage debt.
- SDLT is also payable on a transfer and remortgage of a property where the remortgage monies are used to discharge the existing loan.

SDLT is not always payable:

- The current threshold for residential properties is £125,000**. Any property purchased for less than that amount is currently exempt from SDLT.
- The transfer of a property ordered by the Court in divorce proceedings is exempt from SDLT.
- The transfer of a property to beneficiaries under a will is also exempt.
- There is currently relief from payment of SDLT for first time buyers who purchase property for less than £300,000** and intend to occupy the property as their only or main residence. This relief also applies to first time buyers who purchase property through approved shared ownership schemes and who choose to pay the SDLT in stages.
- A charity may be entitled to relief from SDLT when it purchases property for charitable purposes.
- Different rules apply for non-residential and mixed-use land.

- Multiple dwellings relief may be applicable in certain circumstances eg where buying a large country house with cottages in the grounds.
- There are other reliefs and reductions payable in other circumstances, for example, mixed-use properties and if you would like more information please contact our SDLT expert, Kurt Lee on Kurt.Lee@LA-law.com

** Please note the tax is different if you are purchasing in Wales (Land Transaction Tax) and in Scotland (Land and Buildings Transaction Tax) and we do not refer to either of these in this note.*

*** Figures correct as at 28/01/19*