

## English Stamp Duty Land Tax (SDLT) and Welsh Land Transaction Tax (LTT)

Stamp Duty Land Tax is applicable to all purchases in England  
Land Transaction Tax is applicable for properties in Wales

A Stamp Duty Land Tax (SDLT) or Land Transaction Tax Return must be filed with HM Revenue and Customs following completion of a property purchase where the price agreed exceeds £40,000.

Responsibility for payment of Stamp Duty Land Tax or Land Transaction Tax rests solely with you as the property buyer. HMRC will investigate applications where relief is claimed to ensure that relief has been claimed in good faith. **Deliberately making a false declaration is a criminal offence.**

As filing of a return is a pre-condition of applying to register your ownership at the Land Registry, it is a condition of our retainer that you must pay your SDLT or LTT prior to completion of your purchase.

There are presently various rates of tax which applying depending upon the purchaser. HMRC host an SDLT calculator at <https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/>

The tables for each type of purchaser are set out below.

### Standard SDLT Rates for Home Movers in England

Purchase price	Stamp duty charged on the proportion of price in band
Up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5 million	10%
Above £1.5 million	12%

### Standard LTT Rates for Home Movers in Wales

Purchase price	Stamp duty charged on the proportion of price in band
Up to £180,000	0%
£180,001 - £250,000	3.5%
£250,001 - £400,000	5%
£400,001 - £750,000	7.5%
£750,001 - £1.5 million	10%
Above £1.5 million	12%

### Discounted Rates for First time buyers in England

Purchase price	Stamp duty charged on the proportion of price in band
Up to £300,000	0%
£300,001 - £500,000	5%
Above £500,000	Standard Rates below apply to entire price

### **What is a First Time Buyer?**

A first time buyer must be an individual (not a company) who does not and has never at any time owned any property before, either alone or with others. This includes freehold and leasehold **anywhere in the world**. The property must be purchased with the intention that it is to be the buyer's main residence, and not to be let out to tenants.

If the property is liable for the Additional Dwelling SDLT (see below) then no relief can be claimed. No relief is available to first time buyers where the property price exceeds £500,000 or if the property is in Wales.

## **Higher Rates for Additional Dwellings (eg second homes or a buy to let) in England**

<b>Purchase price</b>	<b>Stamp duty charged on the proportion of price in band</b>
Up to £125,000	3%
£125,001 - £250,000	5%
£250,001 - £925,000	8%
£925,001 - £1.5 million	13%
Above £1.5 million	15%

## **Higher Rates for Additional Dwellings (eg second homes or a buy to let) in Wales**

<b>Purchase price</b>	<b>Stamp duty charged on the proportion of price in band</b>
Up to £180,000	3%
£180,001 - £250,000	6.5%
£250,001 - £400,000	8%
£400,001 - £750,000	10.5%
£750,001 - £1.5 million	13%

### **When do the Additional Dwelling rates apply?**

The Higher rates apply when

- the individual purchaser already owns another dwelling (irrespective as to whether that dwelling is located outside of England or Wales) and the purchaser is not replacing their main residence **OR**
- the purchase is not being made by an individual e.g. the purchaser is a company.

There is no exemption for property renovators who may only hold on to an additional property for a short period of time whilst it is renovated and then remarketed for sale.

### **What is a dwelling?**

A building or part of a building that is used as a single dwelling or in the process of being constructed or adapted as such. The everyday meaning applies and includes holiday homes. It does not include caravans, houseboats or mobile homes. A dwelling could include outbuildings on the land, or an annexe. Please contact us for further information if this applies to your transaction.

A purchase of more than one dwelling at the same time will not be eligible for first time buyer relief.

### **Treatment of Joint Purchasers**

The tax rules treat married couples and civil partners as a single entity. In other words, if you are married or in a civil partnership and either partner already owns a dwelling, then the purchase of a further dwelling by either party will bear the Additional Dwelling SDLT. There is an exemption for married couples who are living separately in circumstances that are likely to become permanent.

If the purchaser wishes to claim first time buyer relief then all purchasers must be first time buyers.

### **Home Movers who buy and sell separately**

If you purchase a new home whilst you continue to own your existing home you must pay the Additional Dwelling SDLT. You will have 36 months after the purchase to sell your prior home to be able to reclaim the 3% surcharge. The application to reclaim must be submitted within 12 months of the sale of the previous main dwelling using the SDLT payment request form available from HMRC.

If you sell your main residence whilst also owning an additional property, you will have up to 36 months to buy your new main residence to avoid paying the 3% surcharge.

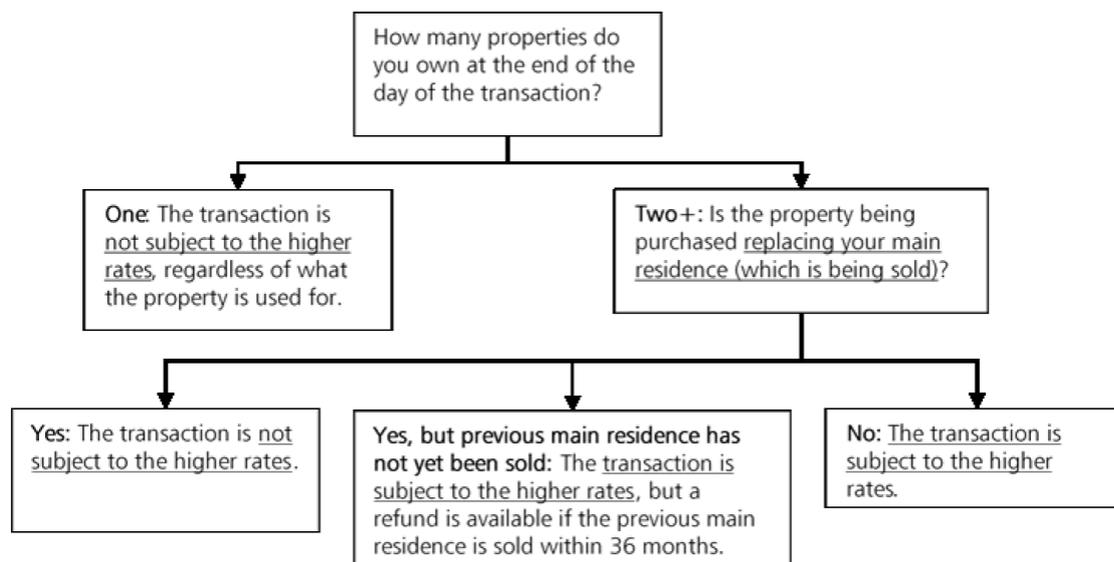
### **Your obligation to disclose a discreet interest in a dwelling**

If you have inherited a small share (50% or less) in a single dwelling which has been inherited within 36 months prior to the transaction the additional payment should not apply.

There are also provisions in the rules where dwellings are held by a partnership, or if you reside in a property or hold an interest as a beneficiary of a trust. Please make us aware of any unusual circumstances where you may have a more discreet interest in a dwelling that you may have an obligation to disclose.

If you claim First Time Buyer relief you must not have inherited property that you have Assented into your name at the Land Registry. You also must not be the beneficiary of a trust who owns property.

## How to check if Additional Dwelling SDLT is payable



This only applies to individual purchasers, not companies. Companies are liable to the rates shown below.

This check should be carried out by each partner in the case of a purchase by a married couple or a civil partnership and if either answer 'Yes' as set out above the transaction should bear the Additional Dwelling tax. The above test does not apply to a purchase by a company where the Additional Dwelling tax will always apply.

### Residential Purchase by a Company

Purchase price	Stamp duty charged on the proportion of price in band	
	Property Rental Businesses only	All other company interests
Up to £125,000	3%	3%
£125,001 - £250,000	5%	5%
£250,001 - £500,000	8%	8%
£500,001 - £925,000	8%	15% on <b>entire price</b> *
£925,001 - £1.5 million	13%	15% on <b>entire price</b> *
Above £1.5 million	15%	15% on <b>entire price</b> *

\*Please note that a company owning residential property with a value higher than £500,000 is also liable to submit an annual tax return under Annual Tax on an Enveloped Dwelling (ATED) Rules. The rates payable and further information are contained on the Government website <https://www.gov.uk/guidance/annual-tax-on-enveloped-dwellings-the-basics>

As with all taxes, exemptions are available in some circumstances. Property rental businesses are likely to be exempt from ATED, but must still file a yearly return. If you think ATED will affect you, you should take financial advice before proceeding with the transaction in the company name.

### What about Shared Ownership?

Shared ownership property (part buy, part rent from a Local Authority or Housing Association) attracts stamp duty when the property is purchased for the first time, and possibly when further shares are purchased. There are 2 options for paying tax on these properties, and some of them may be eligible for first time buyer relief. If you are buying a shared ownership property please contact us and we will explain your options and the tax payable. Please note that for Help to Buy purchases these are not Shared Ownership and tax is due based on the full price of the property (not the reduced price) using the rates shown above.