

A Brief Guide to..... Stamp Duty Land Tax (SDLT)

Overview

Stamp Duty Land Tax (SDLT) is a tax on the value of land and property, paid by a purchaser. It applies to land and property in England, Wales and Northern Ireland, with Scotland having separate legislation.

Payment of SDLT is due within 30 days of completion of a purchase, with an SDLT return also required in that timeframe. In most cases, a conveyancing solicitor will deal with the completion of the SDLT return, and payment of tax on behalf of the purchaser.

Late filing and/or payment will result in HMRC applying interest and penalties.

Exemptions

No SDLT charge arises (and no return is necessary) where the transaction involves:

- no consideration (i.e. no sale proceeds / transfer of a loan / other payment) e.g. a gift
- freehold property purchased for less than £40,000
- a lease for 7 years or more, where the premium is less than £40,000, and annual rent less than £1,000
- a lease for less than 7 years, where the premium is less than the SDLT thresholds (see below)
- property inherited from a will
- property passing as a result of divorce or the dissolution of a civil partnership
- a purchase under alternative financial arrangements (typically those that comply with Sharia Law)

Rates and calculation

The rate of SDLT applied depends upon the value of the land or property, and whether it is residential, non-residential, or mixed-use:

Residential rates:

Value	Rate
The first £125,000	0%
The next £125,000	2%
The next £675,000	5%
The next £575,000	10%
The balance	12%

Non-residential and mixed-use rates:

Value	Rate
The first £150,000	0%
The next £100,000	2%
The balance	5%

So, as an example, the SDLT charge on a residential property worth £350,000 would be calculated as:

- 0% on the first £125,000 (£0)
- 2% the next £125,000 (£2,500)
- 5% on the last £100,000 (£5,000)
- **Total = £7,500**

Higher rates for additional properties

From April 2016, an additional 3% charge is applied to the purchase of second homes. This higher charge will apply where all of the following conditions are met:

- a) the consideration is over £40,000,
- b) the property is not subject to a lease which has more than 21 years to run,
- c) the purchaser owns an interest in another property, to which a & b both apply,
- d) the property being purchased does not replace the purchaser's main residence.

For condition (d) above, if there is an overlap or gap in the period of ownership of a main residence (which is quite common), purchasers selling their previous main home within 36 months of the purchase are able to claim repayment of the additional 3% charge.

Special rules apply for joint purchasers, married couples and civil partners. Broadly speaking, the higher rate will apply to all joint purchasers if any of them meet the conditions above. Spouses or civil partners will be treated as joint purchasers for SDLT purposes, irrespective of whether they are named as a joint owner or not.

For the purchase of properties with an annex (e.g. so-called "granny flats"), where:

- the annex is situated within the grounds of the main property, and
- the value of the 'main' property is at least 2/3rds of the total combined value
- the annex is not treated as a separate property when establishing the rate of SDLT that applies.

Reliefs

Reliefs are available to fully or partially reduce the SDLT charge under certain circumstances, including the following:

- Purchase of multiple dwellings
- A building company purchasing an individual's home
- An employer purchasing an employee's house
- Local Authority compulsory purchases
- Charities making a purchase
- Right to buy properties

Find out more

For further information, advice and guidance please contact one of our specialists:

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This is a general illustrative guide only, and individual professional advice should be obtained on specific issues. The information is believed to be correct at the time of publication, but may alter.

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