

**SQA ad-hoc update October 2022**

**RQF Diplomas in Conveyancing Law and Practice at Level 4 and level 6**

**Stamp Duty Land Tax (SDLT)**

As both course manuals at RQF level 4 and 6 refer to SDLT, learners must keep up to date with the changes in SDLT rates.

*Please note the primary source of the following information comes from the dedicated SDLT pages on the UK Government website.*

**Overview**

SDLT is payable if a property in England and Northern Ireland is purchased. The amount payable depends on the price of the property.

The tax in Scotland is different (and is outside the scope of the SQA syllabus). In Wales, Land Transaction Tax is payable.

SDLT is payable when someone:

- buys a freehold property;
- buys a new or existing leasehold;
- buys a property through a shared ownership scheme;
- has land or property transferred to them in exchange for payment, for example you take on a mortgage or buy a share in a house.

SDLT is paid on the value paid for the land or property (referred to as the '**consideration**'). This is usually the price paid for the property but can also include payment for other items such as:

- goods;
- works or services;
- release from a debt;
- transfer of a debt, including the value of any outstanding mortgage.

**Changes to SDLT**

In the "mini budget" on 23 September 2022, the Chancellor made changes to the thresholds at which SDLT is payable.

From **23 September 2022** the SDLT threshold for residential properties is £250,000.

The threshold for non-residential land and properties is £150,000.

The HMRC website states as follows:

### ***First-time buyers***

*You'll get a discount (relief) that means you'll pay less or no tax if both the following apply:*

- *you, and anyone else you're buying with, are first-time buyers;*
- *the purchase price is £625,000 or less.*
- 

### ***How much you pay***

*How much you pay depends on whether the land or property is residential use or non-residential or mixed-use.*

*If you're buying a residential property there are different rates of SDLT if:*

- *you're a first-time buyer;*
- *you already own a property and you're buying an additional property;*
- *you're not a UK resident.*

### ***Rates for a single property***

*You pay stamp duty at these rates if, after buying the property, it is the only residential property you own. You usually pay 3% on top of these rates if you own another residential property.*

*There were different thresholds and rates for residential properties before 23 September 2022.*

*You can also use this table to work out the SDLT for the purchase price of a lease (the 'lease premium').*

<b><u>Property or lease premium or transfer value</u></b>	<b><u>SDLT rate</u></b>
Up to £250,000	Zero
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

### ***Example***

*In October 2022 you buy a house for £295,000. The SDLT you owe will be calculated as follows:*

- 0% on the first £250,000 = £0
- 5% on the final £45,000 = £2,250
- total SDLT = £2,250

### **If you're buying your first home**

You can claim a discount (relief) if the property you buy is your first home. This means you'll pay:

- no SDLT up to £425,000
- 5% SDLT on the portion from £425,001 to £625,000

You're eligible if you and anyone else you're buying with, are first-time buyers.

There were different thresholds and rates for residential properties before 23 September 2022.

If the price is over £625,000, you cannot claim the relief. Follow the rules for people who've bought a home before.

### **Example**

You are a first-time buyer and purchase a property for £500,000. The SDLT you owe will be calculated as:

0% on the first £425,000 = £0

5% on the remaining £75,000 = £3,750

total SDLT = £3,750

### **New leasehold sales and transfers**

When you buy a new residential leasehold property you pay SDLT on the purchase price of the lease (the 'lease premium') using the rates above.

If the total rent over the life of the lease (known as the 'net present value') is more than the SDLT threshold (currently £250,000), you'll pay SDLT at 1% on the portion over £250,000.

This does not apply to existing ('assigned') leases.

### **Higher rates for additional properties**

You'll usually have to pay 3% on top of SDLT rates if buying a new residential property means you'll own more than one.

### **If you're replacing your main residence**

You will not pay the extra 3% SDLT if the property you're buying is replacing your main residence and that has already been sold.

If you have not sold your main residence on the day you complete your new purchase, you'll have to pay higher rates. This is because you own 2 properties.

You can apply for a refund if you sell your previous main home within 36 months.

There are special rules if you own property with someone else or already own a property outside England, Wales and Northern Ireland. Read the special rules for purchases that mean you own more than one property.

*If it takes longer than 36 months to sell your previous main home*

*You may still be able to get a refund of the extra 3% SDLT if all of the following apply:*

- *you purchased your new home on or after 1 January 2017;*
- *exceptional circumstances stopped you from selling your old home, for example, government restrictions because of coronavirus (COVID-19) or a public authority blocking the sale;*
- *you have now sold your old home.*

*To claim a refund, write to HMRC and explain why the sale took longer than 36 months. Include:*

- *your details;*
- *details of the main buyer - if different to your own;*
- *details of the exceptional circumstances that prevented the sale of your property;*
- *details of the property where higher rate SDLT was paid - including the address, date of purchase and SDLT unique transaction reference number;*
- *details of the previous main residence - including the address, date of sale and SDLT unique transaction reference number;*
- *the amount of higher rate SDLT paid;*
- *the amount of tax you're asking for a repayment of;*
- *a bank account and sort code for the person receiving the payment.*

#### ***Rates if you're not a UK resident***

*If you're not present in the UK for at least 183 days (6 months) during the 12 months before your purchase you are 'not a UK resident' for the purposes of SDLT.*

*You'll usually pay a 2% surcharge if you're buying a residential property in England or Northern Ireland.*

*You may not have to pay a surcharge on certain properties, transactions or if you're a particular type of buyer. Check the rules on who has to pay the surcharge, when you do not have to pay, and if you can claim relief.*

*If you have to pay the surcharge, you'll also have to pay any other rates of SDLT that apply, for example:*

- *if you already own a property and you're buying an additional property;*
- *if you're a first-time buyer.*

#### **Note:**

There were different thresholds and rates for residential properties before 23 September 2022.

Note that the basics of how SDLT is calculated and the principles upon which it is based have not changed, just the thresholds have changed.

No change has been made to the deadline for submission of the SDLT return and payment of SDLT (if due) which remains **within 14 days of completion**. penalties and interest are payable if this deadline is missed.

Note also that these are permanent changes in that there is not cut off or end date for these changes. However, all taxes are subject to unexpected change at short notice.

For more information and the HMRC SDLT calculator go to:

<https://www.gov.uk/stamp-duty-land-tax>

**This information is correct as at 03.10.2022**