



Your Property Questions Answered

Q. I am thinking about buying a flat as a buy-to-let property but I don't want to rush into buying it. What would the stamp duty implications be if I wait?

A. From 1st April 2016, anyone who purchases a second home or a buy-to-let property will have to pay a higher rate of stamp duty. These changes have been brought in to try and help ease the current housing shortage.

This means that anyone who buys an additional residential property will have to pay an extra 3% tax above the current Stamp Duty rates for every single band of tax including the tax free element (up to £125,000). Under the new rates, the Stamp Duty bill for a £275,000 home will rise from £3,750 to £12,000 which shows the substantial increase in potential tax liability.

The new rates as of 1st April 2016 are as follows:-

Up to £125,000 – 3%, £125,000 – £250,000 – 5%, £250,000 – £925,000 – 8%, £925,000 – £1.5m – 13%, Over £1.5 m – 15%.

The new rates will not apply where you are purchasing an additional residential property and have exchanged contracts prior to 25th November 2015. This will be

the case even if completion does not take place until after 1st April 2016.

There could also be possible tax implications if you assist your child in purchasing a property. Many parents want to help their children buy their first property and it is not uncommon for them to take out a joint mortgage with their child to help boost their affordability. As a condition of lending, most banks and building societies require parents to also put their name on the title deeds. A problem arises where the parent already owns a residential property and will be named on the title deeds as it is likely that the child will have to pay the higher stamp duty charge as from 1st April 2016.

As the rules currently stand, investors who later sell their property at a profit will be able to offset the additional stamp duty costs along with the purchase costs against any eventual Capital Gains Tax in the future. However, this is not guaranteed and purchasers should be aware that the Treasury could change these rules at any time.

For more information on the forthcoming changes, please do not hesitate in contacting our property team on 01934 637910 or email sgale@powellslaw.com.