

Your Legal Questions

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Q. What is Stamp Duty Land Tax and why do I need to fill in more forms?

A. Stamp Duty Land Tax ("SDLT") is the self assessment tax which replaced the old stamp duty for property purchases from December 2003. Historically, documents were "stamped" with the level of duty paid whereas now a Return must be sent to the Revenue with the appropriate tax payment or in many cases even when tax isn't due.

SDLT is calculated as a percentage of the purchase price ranging from 1% for purchases above £175,000 (£150,000 for commercial premises), 3% above £250,000 and 4% above £500,000. A purchase for £250,000 means tax of £2,500 whereas one penny over £250,000 means tax of £7,500. With commercial properties where VAT is paid on the price, SDLT is payable on the VAT inclusive figure - tax on tax. With leaseholds, the calculations become even more complex.

The responsibility for filing the Return rests with the purchaser but because of its length and complexity it is invariably completed by your Solicitor who arranges for you to sign it. The Return has to be sent to the Revenue within 30 days of the date tax becomes payable. Late payment or late sending of the Return will trigger a penalty. The Revenue sends out written confirmation that a Return has been made which is essential to enable your purchase to be registered at the Land Registry.

A Return may be due even before a property is purchased. If you have exchanged contracts and take occupation before completion to do work, that occupation will trigger the need for a Return within 30 days. If you take an option to buy land in, say, 5 years time, entering into that option will trigger a Return.

The complexity of SDLT is often underestimated and legal advice is essential.

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