

Your Definitive Guide to

Stamp Duty



Stamp Duty - or Stamp Duty Land Tax (SDLT) to give it it's full name - is sometimes called the forgotten tax. That's because people fail to consider it when budgeting to buy a home. The liability can easily run to several thousand pounds so that's quite an oversight.

SDLT is calculated, when it applies, when it doesn't, and how it is paid.

To make sure this doesn't happen to you we've put together this guide. It will help you understand how



When you buy a residential property worth more

When Does it Apply?

than £125,000 and you are not a first-time buyer SDLT becomes chargeable. The lower threshold at which SDLT becomes payable is £150,000 for land and non-residential properties. SDLT is calculated as a percentage of the purchase

price. This percentage increases in bands as the purchase price of the property increases. Note: if your purchase means that you will own more

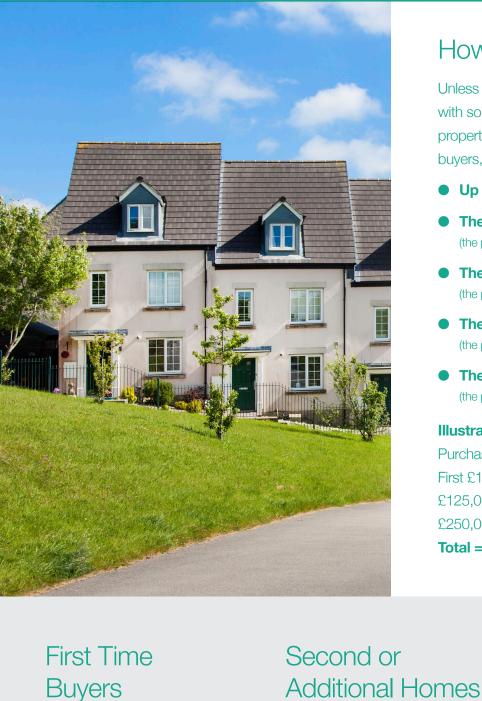
than one home, higher rates will apply (see later).

buy a freehold property are transferred land or property in exchange for payment, for

You pay the tax when you:

- buy a new or existing leasehold
- buy a property through a shared
- ownership scheme
- example you take on a mortgage or buy a share in a house

How Much Does It Cost?



Unless you are a first-time buyer or buying a home with somebody who hasn't previously owned a

property the following rates apply. For first time buyers, see the next section. Up to £125,000 Zero

- The next £125,000 (the portion from £125,001 to £250,000) 2%
- The next £675,000 5% (the portion from £250,001 to £925,000)
- The next £575,000 10% (the portion from £925,001 to £1.5 million)
- The remaining amount (the portion above £1.5 million) 12%
- **Illustration:** Purchase price = £500,000 First £125,000 = £0

£125,001 - £250,000 = £2,500 (125,000 x 2%) £250,001 - £500,000 = £12,500 (£250,000 x 5%)

Total = £15,000

Property

buying a property with a first-time buyer there are different thresholds.

These are as follows:

If you are a first-time buyer or

Up to £300,000 - no SDLT applies £300.001 - £500.000 = 5%

In this case the £500,000 home

would attract SDLT of £10,000

(5% of £200,000)

Transfers

one home, 3% is added to each of the SDLT bands. The zero-rated threshold only applies to the first

If buying a residential property

means that you will own more than

£40,000 of the price. In this case the SDLT due on a £500,000 purchase is: £2,550 + £6,250 + £20,000 = £28,800

If you subsequently sell your original

home within 36 months so that you

only own one residential property

you can apply for a refund of the

additional SDLT paid.

commercial property, for example shops or offices

residential property includes:

Non-Residential

For the purposes of SDLT, non-

agricultural land forests

- any other land or property which is not used as a
- residence 6 or more residential properties
- bought in a single transaction **Rates:** Up to £150,000 - zero £151,000 - £250,000 - 2%

£251,001 and above - 5%

single transaction. This could significantly increase the SDLT liability as higher rates may come into effect and the zero or lower rated bands cannot be applied to multiple properties. The higher SDLT

Linked Purchases or

If several properties are changing hands between the same buyer and seller, HMRC may decide that

the transactions are linked and treat them as a

rates for owning more than one property may also apply. However, if six or more properties are bought in a single transaction this will count as a nonresidential purchase (see above).

When is it Paid?

An SDLT tax return must be filed within 14 days of completing the purchase. Your conveyancing solicitor will normally do this on your behalf and

pay the SDLT due. Will SDLT Rates Change?

SDLT can exert an influence on the housing market and several changes have been discussed by the Government for this reason. These range from adjustments to the rates and thresholds up to switching the burden from buyers to sellers. It's likely that the next Budget will feature some changes so stay tuned to the Powell's blog for updates.

For any questions or to book an appointment with one of our Property Team at Powells,

contact us on: 01934 623 501 or visit www.powellslaw.com for more information.

