

# Your Definitive Guide to Stamp Duty



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Stamp Duty - or Stamp Duty Land Tax (SDLT) to give it its 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.

To make sure this doesn't happen to you we've put together this guide. It will help you understand how SDLT is calculated, when it applies, when it doesn't, and how it is paid.

## When Does it Apply?

When you buy a residential property worth more 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).*

You pay the tax when you:

- buy a freehold property
- buy a new or existing leasehold
- buy a property through a shared ownership scheme
- are transferred land or property in exchange for payment, for 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 (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%

### 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**

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## First Time Buyers

If you are a first-time buyer or buying a property with a first-time buyer there are different thresholds. These are as follows:

- 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)

## Second or Additional Homes

If buying a residential property means that you will own more than one home, 3% is added to each of the SDLT bands. The zero-rated threshold only applies to the first £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.

## Non-Residential Property

For the purposes of SDLT, non-residential property includes:

- commercial property, for example shops or offices
- 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%

## Linked Purchases or Transfers

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 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 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 non-residential 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.



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