



## an overview of stamp duty land tax (SDLT) on second properties

In April 2016 the Government raised the rates for Stamp Duty Land Tax (SDLT) by 3% for purchases of additional residential properties costing more than £40,000. It is estimated that around 10% of all residential property transactions in England, Wales and Northern Ireland will be caught out by the higher charge.

A brief overview of the SDLT surcharge can be found below:

### Residential Properties as a Main Home SURCHARGE NOT PAYABLE:

- If a property is purchased to replace a main residence, provided that the replacement property is acquired after the disposal of the main residence whether or not this is on the same day.
- If a parent acts as a guarantor on the child's mortgage, or lends the money to enable the child to purchase the property.
- If a property is considered "mixed use" (e.g. a shop with a flat above) as it will be considered to be a non-residential transaction.
- If the main residence is a caravan, mobile home or houseboat.

### Residential Properties as a Main Home SURCHARGE PAYABLE:

- If the property is acquired before the old residence is disposed of, the surcharge will be payable on the date of acquisition. If the previous main residence is sold within three years the taxpayer will be eligible

for a refund on the amount above the normal rate. However, a refund must be claimed within 3 months of the sale of the previous main residence or within 12 months of the filing date of the return relating to the new property, whichever is later.

### Other Residential Properties SURCHARGE PAYABLE:

- If the property is to be let on a tenancy or used as a second home.
- If married couples or civil partners own more than one residential property they may pay the higher rate when purchasing another property. The Government will treat married couples and civil partners living together as one person.

### Low Value Residential Properties as Investments SURCHARGE NOT PAYABLE:

- If a residential property is acquired as an investment and the purchase price is less than £40,000 no SDLT will be payable.

### Overseas Property SURCHARGE PAYABLE:

- Where a property is owned abroad and a property is then purchased in the UK, the UK property will be subject to the higher rate of SDLT.

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## Residential Properties Purchased by Companies SURCHARGE PAYABLE:

- It is not possible to avoid the surcharge by forming a company to buy a second property. Any purchase of a residential property through a company will be liable to the surcharge.

## Trusts & Settlements

### SURCHARGE NOT PAYABLE:

- If a parent purchases a property for their child through a trust of which their child is a beneficiary, SDLT will not apply, even if the parent already owns another residential property.

### SURCHARGE PAYABLE

- The higher rate of SDLT will apply to some purchases made by trusts.

At Latimer Hinks we have a specialist and dedicated Residential Property team who would be delighted to advise and help.

However, it is vital that you plan ahead and act at an early stage

### Contact Details:

If you would like us to help, please contact Martin or Jonathan. Martin is a Director and our Head of Residential Property. Jonathan is a Solicitor and works alongside Martin in the Residential Property department.

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## SDLT Payment Information

If SDLT is payable, then the SDLT return must be submitted and the payment is due no later than 30 days after the transaction. Normally, this is the date of completion rather than the date of exchange of contracts.

### SDLT Rates for Individuals

|               | Residential | With Surcharge |
|---------------|-------------|----------------|
| Up to 40K     | 0%          | 0%             |
| £40K - £125K  | 0%          | 3%             |
| £125K - £250K | 2%          | 5%             |
| £250K - £925K | 5%          | 8%             |
| £925K - £1.5M | 10%         | 13%            |
| £1.5M         | 12%         | 15%            |

### How is SDLT Charged?

Example: Second residential property purchased at £200K

SDLT is calculated as follows:

3% on the first £125K = £3750

5% on the remaining £75K (the portion between £125K and £200K) = £3750

Total SDLT due: £3750 + £3750 = £7500