

Higher rates of Stamp Duty Land Tax on the purchase of additional residential property

SDLT must be paid by a purchaser of any residential property in England and Wales where the consideration for the purchase exceeds £125,000. SDLT is paid on that proportion of the purchase price that falls within defined bands and these are set in out in the table below.

A further rate of 3% applies on any dwelling purchase where the value of the dwelling exceeds £40,000 and:

- the individual purchaser already owns another dwelling (irrespective as to whether that dwelling is located outside of England or Wales) and the purchaser is not replacing their main residence or
- purchase is not being made by an individual e.g. the purchaser is a company.

Note that there is no exemption for property renovators who may only hold on to an additional property for a short period of time whilst it is renovated and then remarketed for sale.

Property Value	Main Dwelling SDLT	Additional Dwelling SDLT
£0 - £125,000	0%	3%
£125,001 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1.5 Million	10%	13%
Over £1.5 Million	12%	15%

HMRC host an SDLT calculator at
<https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/>

What is a dwelling?

A building or part of a building that is used as a single dwelling or in the process of being constructed or adapted as such. The everyday meaning applies and includes holiday homes. It does not include caravans, houseboats or mobile homes.

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Treatment of Joint Purchasers

The tax rules treat married couples and civil partners as a single entity. In other words, if you are married or in a civil partnership and either partner already owns a dwelling, then the purchase of a further dwelling by either party will bear the Additional Dwelling SDLT.

There is an exemption for married couples who are living separately in circumstances that are likely to become permanent.

Additional Support for Home Movers

If you are purchasing a new home whilst you continue to own your existing home you must pay the Additional Dwelling SDLT. You will have 36 months after the purchase to sell your prior dwelling to be able to reclaim the 3% surcharge you should have paid when acquiring the Additional Dwelling. The application to reclaim must be submitted within 3 months of the sale of the previous main dwelling using the SDLT payment request form available from HMRC and submitted to HMRC Birmingham Stamp Office.

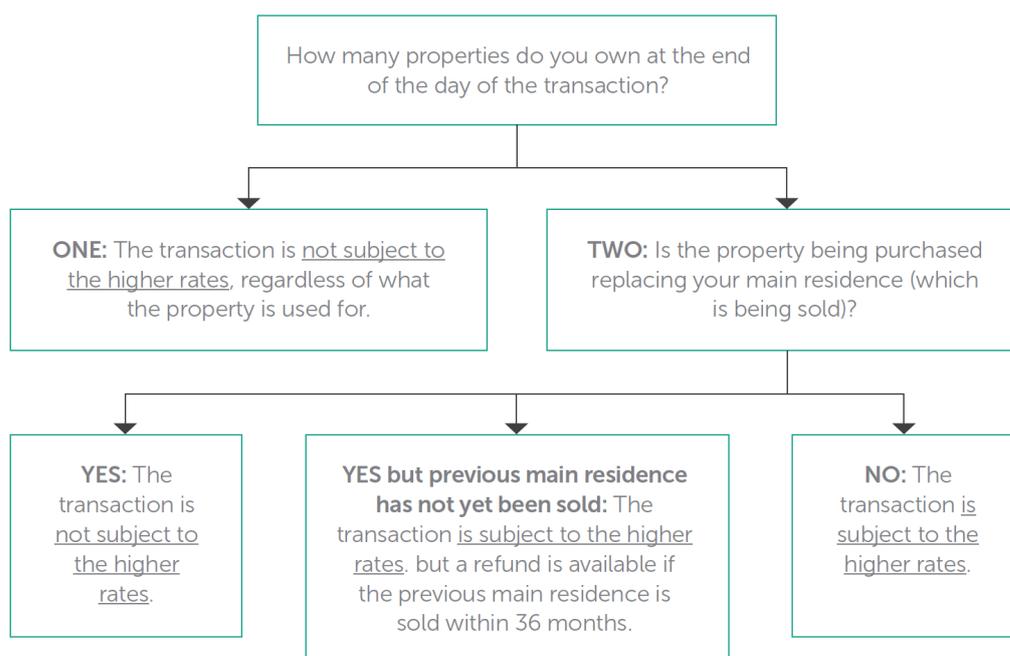
If you dispose of your main residence whilst also owning an additional property, you will have up to 36 months to buy your new main residence to avoid paying the 3% surcharge. This 36 month period is deemed to have started on 25th November 2015 if you sold your main residence prior to that date. This is a three year transition relief and can only be exercised once and the subsequent transaction must complete before 26th November 2018.

Your obligation to disclose a discreet interest in a dwelling

If you have inherited a small share (50% or less) in a single dwelling which has been inherited within 36 months prior to the transaction the additional payment should not apply.

There are also provisions in the rules where dwellings are held by a partnership, or if you reside in a property or hold an interest as a beneficiary of a trust. Please make us aware of any unusual circumstances where you may have a more discreet interest in a dwelling that you may have an obligation to disclose.

How to check whether as an individual your transaction is liable for Additional Dwelling SDLT



This check should be carried out by each partner in the case of a purchase by a married couple or a civil partnership and if either answer yes as set out above the transaction should bear the Additional Dwelling tax.

The above test does not apply to a purchase by a company where the Additional Dwelling tax will always apply.

When is the tax paid?

A tax return must be made and payment made to HMRC within 30 days of completion of the transaction. As the filing of the return is a pre-condition of applying to register your ownership at the Land Registry it is a condition of instructing Fletcher Longstaff that you must provide us with the appropriate amount of SDLT prior to completion of your purchase.