

SDLT developments

(Lecture P1130 – 14.09 minutes)

Relief for first-time buyers in cases of shared ownership

SDLT is a tax on the purchase of land and buildings in England and Northern Ireland. It was devolved to Scotland in April 2015 and to Wales three years later. There are two main charging regimes within the SDLT code. These relate to:

1. transactions involving residential property; and
2. transactions involving commercial and mixed use property.

Purchasers are charged at a variety of different percentages of the consideration that they pay for their acquisition of a property interest.

The special relief for first-time buyers was introduced by S41 FA 2018 with effect from 22 November 2017. It applies where the purchaser is a first-time buyer acquiring a home. Relief is available where the consideration for that home is £500,000 or less. Where the relief is claimed, SDLT is charged at 0% on the first £300,000 of consideration and then at 5% on any excess (but only up to £500,000). First-time buyers paying more than £500,000 for their property do not qualify for any relief.

A first-time buyer is defined as an individual who has never owned an interest in a residential property in the UK (or elsewhere) and who intends to occupy that property as a main residence.

Qualifying shared ownership schemes are provided by local authorities and housing associations that help individuals to buy a property, which they might not otherwise be able to afford, by allowing them to purchase a share in the property and pay rent on the remainder.

Originally, first-time buyers were only eligible for the FA 2018 relief in connection with their participation in a shared ownership scheme if they made an election to pay SDLT on the full market value of the property. Understandably, this was not a popular requirement and so an amendment has now been tabled to extend the relief to purchases where the first-time buyer does not make a market value election on the initial transaction. This applies where the relevant shared ownership purchase is completed on or after 29 October 2018.

In addition, a change has been made to allow first-time buyers, who acquired a property via a shared ownership scheme before the relaxation set out above, to claim a repayment of their overpaid SDLT as though the new rules had been in place at the time of the introduction of the relief last year. This late repayment claim can be made up to 29 October 2019. It must be claimed in an SDLT return or, by amendment, where an SDLT return has already been filed.

Higher rates of SDLT for additional dwellings

Sch 4ZA FA 2003 was brought in by S128 FA 2016. It contains legislation to charge higher rates of SDLT when a company or discretionary trust acquires residential property and when individuals who already own residential property do so.

An exception to this rule occurs if someone with another residential property sells their present home and buys a new one. The additional 3% is not chargeable if the old home is sold before the new home is bought or if the old home is sold within three years after the purchase of the new home. In this latter case, the SDLT surcharge must initially be paid upfront but can then be claimed back when the sale of the old home goes through within the appropriate time-scale.

The time limit for submitting an amended SDLT return in this situation has always been the later of:

- (i) three months from the completion date for the sale of the old home; or
- (ii) 12 months from the return's filing date for the new home.

However, where the completion date for the sale of the old home falls on or after 29 October 2018, the three-month period referred to above becomes a 12-month period.

Changes to periods for delivering SDLT returns and paying tax

The Chancellor has announced that the time limit for filing an SDLT return and paying the tax due will be reduced from 30 days to 14 days. This applies to transactions for the purchase of land and buildings in England and Northern Ireland with a completion date falling on or after 1 March 2019. HM Treasury confirm that the majority of SDLT returns are already filed within 14 days.

SDLT surcharge on overseas buyers

In January 2019, the Government plan to publish a consultation document concerning the introduction of a 1% SDLT surcharge for non-UK residents who buy residential property in England and Northern Ireland.

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