Stamp Duty Land Tax and regional variations

The Stamp Duty Land Tax (SDLT) applies to all property purchases in England and Northern Ireland. Scotland has its own version, the Land & Buildings Transaction Tax (LBTT) and since April 2018, SDLT has been replaced in Wales by the Land Transaction Tax (LTT), when the levy and collection of this tax was devolved to the Welsh Assembly.

SDLT – the basics

Purchasers of property can only register their ownership at the Land Registry if they have a Land Transaction Certificate issued by HMRC. To obtain this certificate a buyer must notify HMRC on an SDLT return. All property transactions valued at £40,000 or more must follow this reporting requirement.

SDLT is usually chargeable by reference to the cash value of the transaction. However, the definition of 'consideration' is very wide and is intended to catch all sorts of situations where value might be given other than in cash. For example, if the purchaser agrees to do certain work on the property or to take on the mortgage debt secured on a property.

SDLT – how much do you pay?

The standard rates of SDLT in 2022-23 are as follows.

SDLT rates	Residential property
Zero	£0 - £125,000
2%	£125,001 - £250,000
5%	£250,001 - £925,000
10%	£925,001 - £1,500,000
12%	Over £1,500,000

No SDLT is payable for first-time buyers making a purchase of up to £300,000. A 5% rate of SDLT applies on properties valued at between £300,000 and £500,000. There is no relief available for first-time buyers spending more than £500,000 on a property.

There are a number of requirements that must be met in order to qualify for the relief.

There is a 3% surcharge on these rates if a company buys a residential property, or if an individual buys a second or subsequent residential property.

There is a 2% surcharge on non-UK residents purchasing residential property was introduced from 1 April 2021.

Further, a special 15% rate is applied to residential properties held in a 'corporate envelope' costing over £500,000 and purchased on or after 20 March 2014.

SDLT rates	Non-residential property
Zero	£0 - £150,000
2%	£150,001 - £250,000
5%	Over £250,000

The Scottish LBTT – rates chargeable

The rates below apply from 1 April 2022.

SLBTT rate	Residential property
Zero	£0 - £145,000
2%	£145,001 - £250,000
5%	£250,001 - £325,000
10%	£325,001 - £750,000
12%	Over £750,000

For first time buyers the 0% rate is extended to £175,000.

There is also a 4% surcharge on these rates if a company buys a residential property, or if an individual buys a second or subsequent residential property.

SLBTT rate	Non-residential property
Zero	£0 - £150,000
1%	£150,001 - £250,000
5%	Over £250,000

The Welsh LTT rates are:

The rates below apply from 1 April 2022.

WLTT rate	Residential property
Zero	£0 - £180,000
3.5%	£180,001 - £250,000
5%	£250,001 - £400,000
7.5%	£400,001 - £750,000
10%	£750,001 - £1,500,000
12%	Over £1,500,000

There are currently no further measures specifically targeting first-time buyers in Wales. There is a WLTT higher rate supplement of 4% on purchases of additional residential properties.

WLTT rate	Non-residential property
Zero	£0 - £225,000
1%	£225,001 - £250,000
5%	£250,001 - £1,000,000
6%	Over £1,000,000

What property purchases are subject to stamp duties?

The taxes are payable on all purchases of land and buildings in the UK, including when properties are leased. SDLT will also be due on the purchase of:

- commercial property such as shops or offices
- agricultural land
- forests
- any other land or property which is not used as a dwelling
- six or more residential properties bought in a single transaction

What property purchases are not subject to stamp duties

There are a number of situations where a property transaction does not need to be reported on an SDLT return.

These include: transactions where a no money or value changes hands, property that is left in a will, the transfer of property in a divorce or dissolution of a civil partnership and most transactions of less than £40,000. SDLT returns are also required in the following situations but, if the relevant conditions are satisfied, no SDLT will be payable:

- house-building company buys an individual's home
- 'chain-breaking' purchases
- compulsory purchases as part of property development
- property developer subject to planning obligations
- transfers of property between companies in the same group
- transfers of property to a recognised charity
- 'right to buy' properties
- registered social landlords

Do the regional changes offer planning opportunities?

In certain circumstances, taxpayers living and working in the border areas of Wales/England, or Scotland/England, and who are considering moving to a new home, may want to take advice on their options if they can choose to live either side of the border. For example:

If you live in the Welsh borders
Wales now has lower rates of stamp duty at lower property values than the rest of the UK. In certain property brackets living in Wales rather than England may save stamp duty.

If you live in the Scottish border areas
Here the reverse position applies. Scotland's stamp duty rates are now higher if you are buying more expensive property.

It should also be noted that Scotland also has powers to set its own Income Tax rates and so the effects of this would need to be taken in account; the situation of your home will determine if the Scottish Income Tax applies.

How we can help

We would welcome the opportunity to assist you and to determine if there might be ways to limit your liability to pay SDLT. We could then discuss with you the steps that you could take to reduce your liability.

Summary action list

- It is always worthwhile to quantify the amount of any stamp duty payable when you are considering the purchase of any asset subject to SDLT or any of the regional variations.
- SDLT, Scottish LBTT and Welsh LTT are usually considered to be part of the acquisition cost and cannot be written off against trading profits.
- There are still occasions where you can unwittingly walk into a stamp duty liability that can be avoided with careful planning. So, with significant acquisitions, take professional advice.

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