



Advice below as issued by HMRC 2nd Sept 2008

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SDLT: TEMPORARY EXEMPTION FOR RESIDENTIAL PROPERTY COSTING NOT MORE THAN £175,000

The Chancellor of the Exchequer announced that from 3 September he will introduce a temporary exemption (“holiday”) from SDLT for acquisitions of residential property worth not more than £175,000.

The exemption will be available where the effective date of the land transaction (normally the date of completion) is on or after 3 September 2008 and before 3 September 2009. There are no circumstances in which this exemption will be available for any land transactions either before 3 September 2008 or after 3 September 2009.

Q1. Who can claim the exemption?

A. Anyone can claim this exemption. It applies, not to people, but to property types. Basically this measure exempts anyone purchasing a property worth not more than £175,000 from paying SDLT.

Q2. How will the exemption work?

A.

- The exemption applies to certain acquisitions made on or after 3 September 2008 but before 3 September 2009.
- It covers acquisitions of major interests in land (other than grants of leases for less than 21 years or the assignment of leases with less than 21 years to run).

These must:

- consist entirely of residential property; and
- be for a chargeable consideration of not more than £175,000.

Q3. Why only residential property?

A. Because the Government wants to demonstrate its support for homebuyers and the housing market. Commercial properties were not intended to be covered by this exemption.

Q3A. What is “residential property”?

A. A building which is either used as a dwelling, suitable for use as a dwelling or in the process of conversion to a dwelling at the time of purchase. The definition includes land that is, or forms part of, the garden or grounds of such a building (including any building or structure on the land) up to the “permitted area” (normally 0.5 hectare).

Q3B. What about property which is partly residential and partly non-residential – e.g. a shop with a flat above?

A. Property which is partly residential and partly non-residential does not qualify for the exemption. In this case you must apportion the consideration attributable to each part and calculate any SDLT due on each part separately, using the normal thresholds.

Q4. I am purchasing a mixed residential property. Why is it excluded from the relief?

A. Because the exemption is specifically targeted to help people wishing to enter the residential property market. .

Q5. Why is the exemption available for property worth only up to £175,000?

A. The Government wants to help people entering the property market. In directing help to those who need it most, they decided that those who could afford a property above this level don't need help in paying SDLT.

Q6. Why is this exemption only for a year?

A. Because it has been introduced to show the Government's support for homebuyers and the housing market, following the recent downturn. It's a one-off, time-limited exemption.

Q7. I completed purchase of my home on 2 September why won't you let me claim the exemption?

A. The exemption is time specific and only applies to transactions with an effective date on or after 3 September 2008 and before 3 September 2009.

Q8. Do I still need to complete a return for the purchase?

A. Yes. We need a return so that, if necessary, we can trace and verify any claim for relief – and deter avoidance of the tax.

Q9. How do I claim the relief using the return form?

A. Simply complete the return as normal. In Field 14 of the return, where you are asked to enter the total amount of tax due you should either leave the field blank or insert “0”.

Q10. Why does this exemption not help those in Scotland who may be on short leases under 21 years?

A. The exemption is targeted at helping those who are **purchasing** a major interest in residential property across the UK, rather than at those **leasing** property for short periods. There are very few leases for residential property available, even in Scotland, and these are likely to be for amounts that don't attract SDLT.

Q11. What happens if a purchaser is also entitled to another relief e.g. DAR or zero-carbon homes?

A. This exemption sets an upper threshold, as do many other exemptions, so you cannot claim it for any residential property which is over £175,000, regardless of other exemptions or reliefs i.e. a purchaser is not able to claim this relief in addition to any other relief.

If a purchaser meets the criteria for more than one relief or exemption then they should claim whichever one will benefit them most. For example, if a property is in an area where DAR applies in addition to the exemption for residential property, then the purchaser will benefit most by claiming relief from SDLT using this holiday (upper threshold £175,000) rather than DAR with its upper threshold of £150,000.

Q12. Can I add together entitlements to this and other reliefs e.g. relief for DAR allows £150,000 and this exemption allows up to £175,000 so total applicable exemption threshold is £325,000?

A. No. You can't add exemption thresholds together. This exemption (like others for SDLT) has an upper threshold. So, if a house is purchased for £175,100, it would not apply. But if the house was purchased for £174,900, it would.

Q13 . How does the exemption apply to leases?

A. It applies to residential leaseholds granted during the period when the relief is available. Residential property which is leased and where the net present value of rent is below £175,000 will not have to pay any SDLT.

Q14. When will the online calculators reflect these immediate changes?

A. In the next day or so.

END