**THE BUDGET – 16 March 2016**

George Osborne delivered his eighth budget as Chancellor today. The main point for property transactions relates to an increase in Stamp Duty Land Tax (SDLT)

**Stamp Duty Land Tax (SDLT)**

The changes to Stamp Duty were part of a Consultation which ended on the 1st February 2016.

1. **Are all property purchases likely to be affected?**

The higher rates of SDLT are part of the Government’s commitment to supporting home ownership. The higher rates will apply to most purchases of **additional** residential properties in England, Wales and Northern Ireland where, at the end of the day of the transaction, individual purchasers own two or more residential properties and are not replacing their main residence.

1. **What about a purchase made by a company?**

The higher rates will also generally apply to purchases (including a first purchase) of residential property by companies. The vast majority of transactions, such as first time buyers purchasing their first property or home owners moving from one main residence to another will be unaffected.

1. **I own property abroad. Is this relevant?**

Property owned globally will be relevant in determining whether a property purchased in England, Wales or Northern Ireland is an additional property. This means that if someone is purchasing their first or only property in England, Wales or Northern Ireland, they may pay the higher rates if they own property outside these areas.

1. **How will the government treat married couples or those in a civil partnership?**

The Government will treat married couples and those in a civil partnership as one unit. This means that property owned by both partner (and any minor children) will be relevant when determining if an additional property is being purchased or not. Therefore, an individual buying a property may be liable for the higher rates if his or her spouse or civil partner has an existing residential property. If the spouse or civil partner then sells that residential property they may be able to claim a refund.

1. **What are the new SDLT rates?**

The higher rate will be 3 percent higher than the current SDLT rate (see chart below).

The higher rates will only apply to purchases of additional residential property which complete on or after **1 April 2016**.

If contracts were exchanged after **25 November 2015** then the higher rates will apply if the purchase is completed on or after 1 April 2016.

However, if contracts were exchanged on or before 25 November 2015 but not completed until on or after 1 April 2016, the higher rates will not apply.

**Band** **Existing SDLT rates** **New SDLT rates**

£0\* - £125,000 0% 3%

£125,001 - £250,000 2% 5%

£250,001 - £925,000 5% 8%

£925,000 - £1,500,000 10% 13%

£1,500,000 + 12% 15%

*\*Transactions under £40,000 do not require a tax return to be filed with HMRC and are not subject to the higher rates.*

The most common scenario where the higher rate will be charged is where there is a purchase of a buy to let or second home in addition to a main residence which completes after 1st April 2016. An exception to this will be where the property being purchased is replacing the individual’s main residence. Where the sale of a main residence has not completed at the time of the purchase then the higher rate will apply although a refund of the additional SDLT can be claimed as long as the main residence is sold within 18 months.

**What you need to do**

To assist you with understanding and then confirming to us whether the higher rate may apply to your transaction we have included the flow chart below and we would also urge you to visit the GOV.UK website as [www.gov.uk/government/consultations/consultation-on-higher-rates-of-stamp-dutyland-tax-sdlt-on-purchases-of-additional-residential-properties](http://www.gov.uk/government/consultations/consultation-on-higher-rates-of-stamp-dutyland-tax-sdlt-on-purchases-of-additional-residential-properties)



The proposed SDLT changes are complex and it is not possible to explain all possible scenarios in this article. If you have any doubt at all about whether or not the proposed changes will affect you, or you do not fully understand the above, or have any reason to believe the proposed changes will or may affect your transaction and a higher rate of SDLT will be payable please do get in touch with one of our property experts at Pearson Hards LLP.