

SDLT and first-time buyers

Introduction

Stamp duty land tax (SDLT) is payable where you buy a property in England or Northern Ireland and the amount paid is more than a certain amount. SDLT does not apply in Scotland, where Land and Buildings Transaction Tax (LBTT) applies instead, nor in Wales, where Land Transaction Tax (LTT) is payable.

As far as residential property is concerned, the rates depend on whether a person is a first-time buyer or not and whether the property is a second or subsequent property. The current residential threshold is £125,000. However, a 3% supplement applies to second and subsequent homes where the purchase price is more than £40,000. Relief is available for first time buyers.



First time buyer rates

Since 22 November 2017, first time buyers buying a residential property do not pay any SDLT if the purchase price is less than £300,000. Where the purchase price is between £300,000 and £500,000, first-time buyers pay SDLT at the rate of 5% on the excess over £300,000. First-time buyers buying a property for more than £500,000 do not get any relief – instead they pay the normal residential rates.

Case study 1

Kieran buys his first flat for £200,000. As the consideration is less than £300,000 and he is a first-time buyer, no SDLT is payable.

Without the relief he would have paid SDLT of £1,500.

Case study 2

Orla is a first-time buyer. She buys a two-bedroom cottage costing £420,000. She benefits from first-time buyer relief, paying SDLT at 5% on the excess over £300,000. She must therefore pay SDLT of £6,000 (5% (£420,000 - £300,000)).

Without the relief, she would pay SDLT of £11,000. She saves £5,000 as a result of the relief for first-time buyers.

Case study 3

Connor and Daniel are first time buyers. They buy a flat in London for £700,000.

As the purchase price is more than £500,000, they do not benefit from first-time buyer relief. Consequently, SDLT is calculated at the normal residential rates as follows:

| Bandings | SDLT due £ |
|------------------------|------------|
| On first £125,000 @ 0% | £0 |
| On next £125,000 @ 2% | £2,500 |
| On next £450,000 @ 5% | £22,500 |
| SDLT payable | £25,000 |

Shared ownership schemes

Changes announced in the 2018 Budget with retrospective effect extended the availability of first-time buyer relief to first-time buyers buying a property through a qualifying shared ownership scheme. Relief is available to the first share purchased as long as the market value of the shared ownership property is less than £500,000. No SDLT is payable where the first-time buyer pays less than £300,000 for their share, with SDLT being payable at the rate of 5% on the excess over £300,000 where their share costs between £300,000 and £500,000.

First-time buyers who purchased a property through a shared ownership scheme between 22 November 2017 and 29 October 2018 who did not benefit from the relief can claim a refund. Where the transaction was completed before 29 October 2018, those affected have until 28 October 2019 to file an amended SDLT return.

Information to readers

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Recommendation

Talk to your mortgage or financial advisor to ensure you are claiming the right relief.

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