

# Stamp duty land tax on non-residential properties

## Introduction

Stamp duty land tax (SDLT) is payable in England and Northern Ireland on the purchase of property over a certain price. It applies equally to residential and non-residential properties, although the rates are different. Stamp duty land tax is devolved with land and buildings transaction tax (LBTT) applying in Scotland and land transaction tax (LTT) applying in Wales.

## Non-residential property

As the name suggests, non-residential property is property other than that which is used as a residence. This includes commercial property, such as shops and office, agricultural land and forests. The non-residential rates of SDLT also apply where six or more residential properties are brought in a single transaction.



## Mixed use properties

The non-residential rates of SDLT also apply to mixed use properties. These are properties which have both residential and non-residential elements. An example of a mixed use property would be a shop with a flat above it or Farmhouse with farm buildings and land.



## Rates

SDLT is charged at the appropriate rate on each 'slice' of the consideration. No SDLT is payable where the consideration is less than £150,000, or on the first £150,000 of the consideration where it exceeds this amount.

The rates of SDLT applying to non-residential properties are shown in the table below. They also apply to the lease premium where the property is leasehold rather than freehold.

Consideration	SDLT rate
Up to £150,000	Zero
The next £100,000 (i.e. the 'slice' from £150,001 to £250,000)	2%
Excess over £250,000	5%

**Example**

ABC Ltd buys a commercial property for £320,000. SDLT of £5,500 is payable, calculated as follows.

Banding	Amount SDLT payable
On first £150,000 @ 0%	£0
On next £100,000 @ 2%	£2,000
On remaining £70,000 @ 5%	£3,500
Total SDLT payable	£5,500

**New leasehold sales and transfers**

The purchase of a new non-residential or mixed use leasehold property triggers a SDLT liability on the purchase price (the lease premium) and also on the annual rent payable under the lease (the net present value). The two elements are calculated separately and added together.

The lease premium element is calculated using the rates above, while the rent element is payable at the rates in the table below. No SDLT is payable on the rent if the net present value is less than £150,000.

Net present value of the rent	SDLT rates
£0 to £150,000	Zero
£150,001 to £5,000,000	1%
Excess over £5,000,000	2%

**Information to readers**

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**Existing leases**

SDLT is only payable on the lease price where an existing lease is assigned.

**SDLT calculator**

HMRC have published a handy calculator on the Gov.uk website which can be used to work out the SDLT payable on a commercial transaction. It can be found at [www.tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro](http://www.tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro).

**Scotland and Wales**

The rates of LBTT payable on the purchase of non-residential properties in Scotland can be found at [www.revenue.scot/land-buildings-transaction-tax/guidance/calculating-tax-rates-and-bands](http://www.revenue.scot/land-buildings-transaction-tax/guidance/calculating-tax-rates-and-bands) and the rates of LTT payable on the purchase of non-residential properties in Wales can be found at <https://gov.wales/land-transaction-tax-rates-and-bands>

**Recommendation**

It is important to establish the right SDLT rate especially when you are planning a property transaction of a mixed use property.

SDLT on leases is a cost which is not always factored in. However, on leases for large properties or offices, this can be a considerable additional expense.

**Ashley Clarkson FCA BSc(Hons)  
Director**

**AMEC Consultancy Limited**

**M: 07775 940992**

**E: [ashley@amec-consultancy.co.uk](mailto:ashley@amec-consultancy.co.uk)**

For more information about AMEC Consultancy and its services, please visit:

**[www.amec-consultancy.co.uk](http://www.amec-consultancy.co.uk)**