

# ADVISER

## Today

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***“For those people thinking of buying or selling residential property, the temporary holiday in stamp duty land tax (SDLT) has meant that the next few months are a very favourable time to make that transaction. Gavin Birchall, Tax Partner, leads our Property Sector Group and explains more about the recent changes in the article below.”***



JASON FAYERS

## STAMP DUTY LAND TAX

*the time* TO ACT IS NOW

The chancellor’s announcement to cut Stamp Duty Land Tax (“SDLT”) has meant that after a quiet few months at the start of the Covid-19 crisis the UK property market has now gone into overdrive.

SDLT needs to be paid on the purchase of a residential property in England and Northern Ireland. Previously it applied on the balance of anything above a purchase price of £125,000, but Rishi Sunak has temporarily moved the threshold up to £500,000 until March 31 next year – meaning that for someone buying a £500,000 property the rate of duty would reduce from £15,000 to £0. The treasury has said that they estimate that nine out of ten buyers will be exempt from SDLT under this arrangement, with an average saving of £4500.

The chancellor’s cut to SDLT has prompted a surge in the number of homebuyers, leading to bidding wars and the number of homes being sold over the asking price reaching record levels.

Since the announcement in July, Countrywide, one of Britain’s largest estate agency chains, has reported a 38 per cent increase in buyers. The biggest rises are in the east and southeast of England, London and Scotland.

The cut in duty benefits both side of the transaction. Buyers are in a stronger position as they will have more money for a deposit, and people thinking about selling are now more likely to put their property on the market in order to attract buyers with more money to spend.

First time buyers were already exempt from SDLT for the first £300,000 of any residential property purchase of less than £500,000, and there was initial speculation that they would have the least to gain from the announcement. However, they are the group which has increased the most with a 45 per cent rise, according to analysis by Hamptons International.

For second home purchases and buy-to-let investors the news is also positive, particularly as legislation in recent years has been less than helpful, with increasingly tight restrictions and higher taxation on this kind of investment. Although property investors and second homeowners must continue to pay a 3% SDLT surcharge, they will not have to pay any further tax on the first £500,000 of the value of the property. Landlords may also wish to consider transferring their properties to a limited company structure, since this may enable them to take advantage of tax relief on mortgage interest, and this kind of transfer may incur a smaller SDLT charge than would previously have been the case.

### Revised Stamp Duty Rates until 31 March 2021

Property Value	Standard SDLT	Buy-to-Let and Second Home
Up to £500,000	0%	3%
£500,001 - £925,000	5%	8%
£925,001 - £1,500,000	10%	13%
Above £1,500,001	12%	15%

It is important to note that this is a temporary reduction in SDLT which will come to an end on the 31 March next year when rates will revert to their previous levels.



GAVIN BIRCHALL

Our team of SDLT Tax specialists regularly advise clients on whether these higher rates of SDLT apply. Please do get in touch if we may be able to assist you with any SDLT matter.

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