



Stamp Duty Explained

Stamp duty is a tax you'll have to pay if you buy a property or land over a specific price. This applies in England and Northern Ireland.

The current stamp duty land tax (SDLT) threshold is £125,000 for residential properties and £150,000 for non-residential land and properties. After 22 November 2017, first-time buyers do not have to pay SDLT if the purchase price is £300,000 or less. The amount you spend is a percentage of the purchase price and that percentage will depend on the value of the property.

SDLT threshold

Property or lease premium or transfer value	SDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

For example

If you buy a house for £275,000, the SDLT you owe is calculated as follows:

- 0% on the first £125,000 = £0
- 2% on the next £125,000 = £2,500
- 5% on the final £25,000 = £1,250
- Total SDLT = £3,750

First-time buyers

Now, first-time buyers will no longer have to pay SDLT on a property that is worth £300,000 or less. If a property is worth between £300,000 and £500,000 the SDLT owed will be 5% of the purchase price in excess of £300,000. This is a reduction of £5,000 compared to the previous month they would have had to pay before 22 November 2017.

If a first-time buyer is purchasing a buy to let property, rather than occupying it themselves, they'd just pay the standard level of SDLT, rather than the additional 3% as per the buy to let rulings.

Owning more than one property – Buy to let/second homes

There are higher rates on SDLT if you own additional properties, such as buy to let or second homes. If you own more than one property, you'll have to pay an other 3% on top of the existing SDLT rates.

The higher rates sit 3% above the current rates of Stamp Duty that apply to standard residential purchases. These new costs are worked out slightly differently and each rate will apply to the portion of the consideration that falls within each band.

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The Higher Stamp Duty Rates for Buy to Let/ Second Properties from 1st April 2016 are as follows:

Purchase price of property	Rate*
Up to £125,000	3%
Over £125,000 and up to £250,000	5%
Over £250,000 and up to £925,000	8%
Over £925,000 and up to £1,500,000	13%
Over £1,500,000	15%

*Paid on portion of price within each band.

Shared Ownership property

If you're purchasing a property through a Shared Ownership scheme, you may have to pay SDLT. Owning a Shared Ownership property means you've bought a house that was a part of a programme that includes:

- local housing authorities
- housing associations
- housing action trusts
- the Northern Ireland Housing Executive
- the Commission for the New Towns
- development corporations

You can choose to either:

- make a one-off payment based on the market value of the property ('market value election')
- pay SDLT in stages

For example

You buy a 50% share of a property with a market value of £140,000.

You have to pay SDLT of £300 (0% on £125,000 and 2% on £15,000).

HM Revenue and Customs (HMRC) has guidance on SDLT if you don't have the right to the freehold.

When do you pay SDLT?

You have 14 days from the date of completion to pay your SDLT.

The date of completion is the day all the contracts have been signed and dated – and usually the day when you get the keys to your new home. In most cases, your solicitor or conveyancer will take care of paying the SDLT on your behalf and they should confirm this for you. If you take longer than 14 days, you could be subject to a fine and you may even have to pay interest on top.

Stamp duty exemptions

There are a few types of property transaction where you don't have to pay SDLT.

These include:

- A divorce or separation where one partner is transferring their share of the property to the other
- If the property is a gift
- If the property is left in a Will
- If you buy a freehold property for less than £40,000
- If you're a first-time buyer

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Your property may be repossessed if you do not keep up repayments on your mortgage