

## Stamp Duty Land Tax

### What is Stamp Duty Land Tax?

Stamp Duty Land Tax (SDLT) is a self-assessed tax which applies to almost all property purchases. Details of nearly all UK property transactions must be reported to the Inland Revenue.

### How much is SDLT?

SDLT is calculated on the total purchase price of the property. There are four SDLT rates of tax and the appropriate rate is applied to the total purchase price of the property.

The SDLT tax rates are:

For properties costing up to £120,000	– the rate is 0%
For properties costing between £120,001 and £250,000	– the rate is 1%
For properties costing between £250,001 and £500,000	– the rate is 3%
For properties costing over £500,000	– the rate is 4%

Where the total price paid exceeds one of the rate thresholds (£120,000, £250,000 or £500,000) the SDLT is payable at the higher rate on the whole of the price paid, not just on the amount above the threshold. For example, a price of £260,000 is all taxed at 3%.

Where a new lease is being purchased, SDLT may be payable on the rent payable under the lease, as well as on the purchase price of the property. The calculations to work out the tax on the rent are complex. We will calculate the tax for you. SDLT is not usually payable on the rent in a new residential lease.

### Who is liable to pay SDLT?

SDLT is a personal tax and it is the responsibility of all the buyers of the property to pay the SDLT. If there is more than one buyer, the SDLT liability is “joint and several”, which means that each and every buyer is personally liable to pay the whole tax.

### Who has to sign the Land Transaction Return?

The Land Transaction Return (LTR) can be signed by either all the buyers or by us on their behalf. As the LTR has to contain a barcode and this cannot be generated until all the information has been put in the form, we operate the following system. Early in the transaction we will prepare a draft LTR which will contain most, but not all, of the information required, i.e. no completion date as this is unknown. The draft LTR is signed by all the buyers and kept on our file. At completion, we generate a new LTR which will be complete and have a barcode. We will sign this on behalf of all the buyers and submit this to the Inland Revenue together with a cheque for the SDLT.

### Land Transaction Return Certificate

Upon receipt of the LTR the Inland Revenue will send us a LTR Certificate. We have to send this to the Land Registry together with the application to register the change of ownership. Without a LTR Certificate the Land Registry will not deal with the application.

### What happens if a LTR is not submitted or submitted late?

Where a LTR is required, this must be submitted within 30 days of the “effective date” (which is

usually the completion date).

If a LTR is submitted between 1 and 3 months after the effective date, whether or not tax is payable, the Inland Revenue will impose a penalty of £100 and charge interest on the late payment.

If a LTR is submitted over 3 months after the effective date, whether or not tax is payable, the Inland Revenue will impose a penalty of £200 and will charge interest on the late payment.

If a LTR is submitted more than a year after the effective date, interest is payable and the penalty can be as much as the actual tax due.

### **Investigation by the Inland Revenue**

The Inland Revenue can ask for verification of the information on a LTR at any time during the 10 months following the effective date (the completion date in most cases). The Inland Revenue also randomly select and investigate a small percentage of LTRs. If your LTR is selected for investigation, we may be able to deal with any enquiries on your behalf. We will make a charge for doing this which will be based on the time we have to spend dealing with the Inland Revenue. We will contact you if this happens and before we do any chargeable work.

### **Can SDLT liability be reduced?**

It is possible to allocate/apportion the purchase price between the property and the moveable items sold with it (i.e. white goods, shed). SDLT is only payable on the price allocated to the property itself. Apportioning the price could result in a substantial SDLT saving where the total purchase price is just over a SDLT threshold, i.e. the price is £251,000. By apportioning the price so that £1000 is for moveable items and £250,000 is for the property itself, the SDLT rate of tax is only 1% of £250,000 instead of 3% of £251,000, a tax saving of £5030.

However, the apportionment between the property and moveable items must be reasonable and genuine. The Inland Revenue can and does investigate LTRs where the price for the property is just below a rate threshold. Items attached to the property are classed as fixtures and are not moveable items, i.e. fitted wardrobes.

Before agreeing any apportionment, you must also consider the affect on your mortgage application. Your lender will use the price of the property to determine the maximum loan amount. By reducing the price for the property, you will be reducing the maximum possible loan amount.

If you want to apportion the price, you should seek our advice at the earliest opportunity.

### ***By signing this form I/we authorise and agree:***

1 that Matthews Winter & Bullock can (i) prepare, sign and submit the LTR/self certificate (ii) assess and pay any SDLT due (iii) receive the LTR Certificate and submit it to the Land Registry (iv) deal with any enquiry by the Inland Revenue relating to the LTR/self certificate;

2 to provide Matthews Winter & Bullock with the information needed to complete the LTR/self certificate;

3 to indemnify Matthews Winter and Bullock in respect of any inaccuracy in the information I/we provide for the LTR/self certificate.

Signed: (1)..... (2).....  
(3)..... (4).....

Dated:.....

Ref:

This information is based on the stamp duty rules as at 01/11/05.