

## **Good news for ALL buyers – the Stamp Duty Land Tax Holiday explained**

In these different times there have been many new rules and guidelines that we have had to become accustomed to and the Chancellor of the Exchequer Rishi Sunak has been busy announcing further changes when it comes to tax.

It was announced on 8 July 2020 during the mini budget that there would be a tax break for Stamp Duty Land Tax (SDLT), effective immediately.

SDLT, put simply, is the tax you pay when purchasing land or property in England and Northern Ireland.

The usual threshold for paying SDLT when you purchase property is a purchase price of £125,000 or more but this has temporarily been increased to £500,000. Please note this is only applicable to residential purchases. There are different rules in place for purchasing land or other non-residential properties.

This temporary tax holiday for residential properties will be in effect until 31 March 2021 in England and Northern Ireland.

### **The Old Rates vs The New Rates**

*Property purchased prior to 8 July 2020*

<b>Property or lease premium or transfer value</b>	<b>SDLT rate</b>
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%

*Property purchased between 8 July 2020 – 31 March 2021*

<b>Property or lease premium or transfer value</b>	<b>SDLT rate</b>
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Property or lease premium or transfer value	SDLT rate
Up to £500,000	Zero
The next £425,000 (the portion from £500,001 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%

Example:-

A couple selling their property and purchasing another for £450,000, under the old rates the SDLT due would be £12,500. Under the new tax holiday, this would now be £0.

Similarly, if the purchase price of the property was over £500,000 (the current threshold) there would be huge savings too. For example, if the house price was £650,000, the tax before 8 July would have been £22,500 but would currently be £7,500.

The good news is that this tax holiday can benefit all and not just first time buyers as previous SDLT changes have.

These rates apply to both people buying their first home or if they have owned a property before. Previously, first time buyers would be exempt from paying duty up to £300,000 and a discounted rate up to £500,000. These new holiday rates replace this and are extended to everyone replacing their main home also.

### **How will this work in practice for all purchasers and how much tax will be saved?**

#### ***First Time Buyers***

Purchase Price	SDLT due prior to tax holiday	SDLT due during tax holiday	Tax Saving
£100,000	£0	£0	£0
£200,000	£0	£0	£0
£300,000	£0	£0	£0
£400,000	£5,000	£0	£5,000
£500,000	£10,000	£0	£10,000
£600,000	£20,000	£5,000	£15,000
£700,000	£25,000	£10,000	£15,000
£800,000	£30,000	£15,000	£15,000
£900,000	£35,000	£20,000	£15,000
£1,000,000	£43,750	£28,500	£15,000

**Buyers buying their main home and selling their existing one**

Purchase Price	SDLT due prior to tax holiday	SDLT due during tax holiday	Tax Saving
£100,000	£0	£0	£0
£200,000	£1,500	£0	£1,500
£300,000	£5,000	£0	£5,000
£400,000	£10,000	£0	£10,000
£500,000	£15,000	£0	£15,000
£600,000	£20,000	£5,000	£15,000
£700,000	£25,000	£10,000	£15,000
£800,000	£30,000	£15,000	£15,000
£900,000	£35,000	£20,000	£15,000
£1,000,000	£43,750	£28,500	£15,000

**Higher rates for additional properties**

Additional property purchasers, such as companies, buy to let investors or people buying a second property, still benefit from this tax holiday.

The 3% surcharge is still applicable for additional residential property purchases but on top of the new tax rates.

The new rates for additional properties are as follows:-

Property or lease premium or transfer value	SDLT rate
Up to £500,000	3%
The next £425,000 (the portion from £500,001 to £925,000)	8%
The next £575,000 (the portion from £925,001 to £1.5 million)	13%
The remaining amount (the portion above £1.5 million)	15%

Purchase Price	SDLT due prior to tax holiday	SDLT due during tax holiday	Tax Saving
£100,000	£3,000	£3,000	£0
£200,000	£7,500	£6,000	£1,500
£300,000	£14,000	£9,000	£5,000
£400,000	£22,000	£12,000	£10,000
£500,000	£30,000	£15,000	£15,000

£600,000	£38,000	£23,000	£15,000
£700,000	£46,000	£31,000	£15,000
£800,000	£54,000	£39,000	£15,000
£900,000	£62,000	£47,000	£15,000
£1,000,000	£73,750	£58,750	£15,000

All in all, these tax holidays are a welcome sight for many looking to buy and the tax savings could be as much as £15,000. However, please remember that this tax holiday will only be available until 31 March 2021.

If you are looking to buy your first, next or additional property and would like some further information on how Whitehead Monckton can assist, please contact the Property Team who would be pleased to hear from you.