Investment planning

AF4: 2020–21 edition

Web update 1: 18 August 2020

Please note the following update to your copy of the **AF4** case study workbook:

Case study 2, model answer to question (b)(ii), pages 2/6 and 2/7

Due to the changes announced in the Government's Summer Announcement, the model answer for question (b)(ii) now reads (changes highlighted in **bold**):

(i) Explain the stamp duty land tax (SDLT), income tax, National Insurance contribution (NIC) and CGT treatment for commercial and residential property.

- Recent Budgets have seen significant changes to the tax treatment of rented property.

  Stamp duty land tax

  - Since April 2016, SDLT rates on all buy-to-let and second homes were increased by 3% over standard residential rates.
  - **Whilst the Chancellor has announced a temporary increase in the SDLT nil rate band from 8 July 2020 until 31 March 2021 in response to the COVID-19 pandemic, the additional 3% rate for second or buy-to-let properties is unaffected and will apply to the full purchase price. The SDLT charge for second or buy-to-let properties would therefore equate to 3% up to £500,000, with tapered charges for consideration above that level in line with the applicable residential rates.**
  - Since March 2016, SDLT on commercial property is also now based on a banding system where SDLT is calculated on the proportion of the property value which falls within each band. The portion of the transaction values are charged as follows:
    - values of up to £150,000 are charged at a rate of 0%;
    - values between £150,001 and £250,000 are charged at 2%; and
    - the portion over £250,000 is charged at a rate of 5%.
  - **SDLT rates for commercial property are unaffected by the measures introduced as part of the COVID-19 response relating to residential property.**