

Advanced mortgage advice

R07: 2020–21 edition

Web update 1: 26 August 2020

Please note the following update to your copy of the R07 study text:

Chapter 4, section I, pages 4/19–4/23 and key points

Please insert the following at the end of this section.



Be aware

SDLT cuts for 2020/21

Due to the coronavirus (COVID-19) pandemic, the Chancellor has announced a temporary increase in the stamp duty land tax (SDLT) nil rate band in England and Northern Ireland from 8 July 2020 until 31 March 2021. This SDLT cut will also apply to purchases of residential properties in addition to an existing home during this period.

The temporary rates are shown in the following table.

SDLT rates from 8 July 2020 until 31 March 2021 in England and Northern Ireland		
Slice of property value	SDLT rates where no other property is owned	SDLT rates on additional properties
Up to £500,000	0%	3%
£500,001 to £925,000	5%	8%
£925,001 to £1,500,000	10%	13%
Over £1,500,000	12%	15%

The following examples are based on the SDLT payable from 8 July 2020 until 31 March 2021 in England and Northern Ireland.



Example 1

The SDLT payable on a residential transaction of £525,000 following the temporary changes noted above would be calculated as follows:

First £500,000 at 0%	0
£500,001 to £525,000 = £25,000 at 5%	£1,250
Total	£1,250



Example 2

For a buy-to-let (or additional home) property priced at £600,000, the SDLT payable would be:

First £500,000 at 3%	£15,000
£500,001 to £600,000 = £100,000 at 8%	£8,000
Total	£23,000

SDLT exemption for first-time buyers

Following the temporary changes announced by the Chancellor, first-time buyers will not pay SDLT on properties with a purchase price of up to £500,000.

The rates noted above will apply on the portions from £500,000.

Shared ownership

Under the temporary SDLT arrangements, the first £500,000 of an initial share purchased is not liable to SDLT

Residential leases

If a residential lease is for more than £500,000, SDLT is payable at the rates noted above

SDLT reliefs

There are SDLT reliefs available for many types of purchases which will mean a reduced or a nil amount of tax is due.

Purchase of multiple dwellings

Relief is available where a transaction or a number of transactions include freehold or leasehold interests in more than one dwelling. Where relief is claimed, the rate of tax charged on the amount paid for the dwellings is set by dividing the total amount paid for the properties by the number of dwellings, calculating the tax due on this figure then multiplying the amount of tax by the number of dwellings. The minimum rate of tax under the relief is 1%.



Example 3

A person buys five houses for a total of £1m (in addition to their main residence).

£1m divided by five is £200,000. The rate of SDLT on £200,000 would be:

£200,000 at 3% = £6,000

£6,000 × 5 = **£30,000**

As £30,000 is above the 1% minimum, this is the tax payable.

The relief presents a significant saving on the SDLT that would normally be due for a purchase price of £1m, which would have been £43,750.

Scotland – land and buildings transaction tax (LBTT)

A land and buildings transaction tax holiday has also been implemented in Scotland and will be applied to all residential purchases until 31 March 2021. The initial threshold has risen from £145,000 to £250,000.

Transactions involving an additional dwelling will continue to attract a 4% surcharge.

Additional residential dwelling purchases, including buy to let investments and second homes, will also benefit from the higher initial stamp duty threshold of £250,000. This means just the minimum 4% surcharge will be applied to transactions up to this amount.

Residential – LBTT	
Slice of property value	Rate %
£0-£250,000	0
£250,001-£325,000	5
£325,001-£750,000	10
£750,001+	12



Example 4

A house transaction in Scotland for £400,000 will result in a LBTT payment of £8,750

First £250,000 at 0%	
Next £125,000 at 5%	£6,250
Next £25,000 at 10%	£2,500
Total	£8,750

Wales – land transaction tax (LTT)

A land transaction tax holiday has also been implemented in Wales and will be applied to all single residential purchases until 31 March 2021. The initial threshold has risen from £180,000 to £250,000. There is no LTT tax holiday for purchases of second homes or buy to let property and existing rates will apply.

The rates now applying to main residential home purchases in Wales are:

Residential – LTT	
Slice of property value	Rate %
£0-£250,000	0
£250,001-£400,000	5
£400,001-£750,000	7.5
£750,001-£1.5m	10
Over £1.5m	12

These changes also affect the following sections:

- Chapter 6, section I2, pages 6/29–6/31.
- Chapter 7, section C4, pages 7/8–7/9.