



Stamp duty land tax: alternative property finance

Who is likely to be affected?

Persons who finance property purchases using a home purchase plan authorised by the Financial Conduct Authority.

General description of the measure

This measure will expand the definition of a financial institution for the purposes of the stamp duty land tax (SDLT) alternative property finance reliefs to enable users of home purchase plans to benefit from the reliefs. Home purchase plans are a way of financing a home purchase that does not involve the payment of interest and are regulated in a similar way to conventional mortgages.

Policy objective

This measure makes the tax system fairer and more straightforward by ensuring that those who finance the purchase of their home using a home purchase plan pay the same level of SDLT as those who use a conventional mortgage.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect for transactions with an effective date on or after the date on which Finance Bill 2015 receives Royal Assent.

Current law

Sections 72A to 73BA of the Finance Act (FA) 2003 provide relief from SDLT for additional charges that can arise when a property is purchased using alternative methods of financing a property purchase that do not involve the payment of interest. The relief is only available where the financier in the arrangements is a financial institution as defined by sections 73BA.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend section 73BA of FA2003 to include within the definition of a financial institution persons authorised and regulated by the Financial Conduct Authority to provide home purchase plans.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	The measure is not expected to have any significant economic impact.					
Impact on individuals, households and families	<p>These changes will allow individuals, households and families to access an alternative method of financing the purchase of a home, which does not require them to have a deposit or use a conventional debt based mortgage.</p> <p>It is expected that at least 2,000 households will benefit from these changes over the next few years.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	These changes are not expected to have an impact on any protected equality groups.					
Impact on business including civil society organisations	The impact on businesses and the third sector is expected to be minimal as this product is aimed at individuals purchasing residential property, although the availability of relief may encourage businesses/charities to provide home purchase plans. The cost of administering these changes is expected to be negligible.					
Operational impact (£m) (HMRC or other)	These changes are not expect to have any signification operational impact.					
Other impacts	<p><u>Small and micro business assessment</u>: the measure is expected to have negligible impact on small and micro businesses, the relief may encourage them to provide home purchase plans.</p> <p>Other impacts have been considered and none have been identified.</p>					

Monitoring and evaluation

These changes will be monitored through the SDLT compliance programme.

Further advice

If you have any questions about this change, please send an email to stampstaxes.budget&financebill@hmrc.gsi.gov.uk.

1 SDLT: alternative property finance relief

- (1) FA 2003 is amended as follows.
- (2) In section 73BA (meaning of “financial institution”), after subsection (2) insert—
 - “(3) In sections 71A, 73AB and 73B, “financial institution” also includes a person with permission under Part 4A of the Financial Services and Markets Act 2000 to carry on the regulated activity specified in Article 63F(1) of the Financial Services and Markets Act (Regulated Activities) Order 2001 (S.I. 2001/544) (entering into regulated home purchase plans as home purchase provider).”
- (3) In paragraph 9 of Schedule 4A (higher rate for certain SDLT transactions: interpretation), for the definition of “financial institution” substitute—

““financial institution” is to be read in accordance with subsections (1) and (2) of section 73BA and, in paragraphs 6A to 6H, also in accordance with subsection (3) of that section;”.
- (4) The amendment made by subsection (2) has effect where the effective date of the first transaction is, or is after, the day on which this Act is passed.
- (5) In subsection (4) —

“effective date” has the same meaning as in Part 4 of FA 2003 (see section 119(1) of that Act);

“first transaction” means the first transaction within the meaning of section 71A(1)(a) of FA 2003.

EXPLANATORY NOTE

SDLT: ALTERNATIVE PROPERTY FINANCE RELIEF

SUMMARY

1. Clause [X] adds authorised providers of home purchase plans to the definition of a financial institution that applies for the purposes of alternative property finance reliefs. This will extend the availability of alternative property finance relief to all buyers who use an authorised home purchase plan to finance their home purchase.

DETAILS OF THE CLAUSE

2. Subsection 2 amends section 73BA of the Finance Act 2003 (FA2003) extending the definition of a financial institution that applies for the purposes of the alternative property finance reliefs to include a person authorised by the Financial Conduct Authority to provide home purchase plans.

3. Subsection 3 makes a consequential amendment to the definition of a financial institution at paragraph 9 of Schedule 4A FA2003, which applies for the purpose of the higher rate of stamp duty land tax.

4. Subsection 4 provides that the amendment will have effect where the effective date of the first transaction is on or after the date on which Finance Bill 2015 receives Royal Assent.

5. Subsection 5 defines ‘effective date’ and ‘first transaction’ for the purposes of subsection 2.

BACKGROUND NOTE

6. Financing a property purchase in a way that does not involve the payment of interest generally involves more than one Stamp Duty Land Tax (SDLT) charge. The alternative property finance reliefs ensure that buyers who finance property purchases using such alternative methods pay the same level of SDLT as those who use a conventional mortgage. Relief is only available where the financier is a financial institution as defined in the legislation. Broadly these are traditional financial institutions such as banks and building societies.

7. Home purchase plans were developed to provide a method of financing a home purchase which doesn’t involve the payment of interest and are regulated by the Financial Conduct Authority in a similar way to conventional mortgages.

8. The alternative property finance reliefs are currently only available for home purchase plans provided by a defined financial institution and a buyer who uses a plan provided by such an institution will be able to claim relief. However, a buyer will not be able to claim relief where their home purchase plan provider is not one of the defined financial institutions, even where the provider is authorised by the Financial Conduct Authority to provide home purchase plans.

9. These changes are being made to ensure that all buyers who use a home purchase plan, provided by an authorised provider, to finance their home purchase will pay the same level of SDLT as those who use a conventional mortgage.

10. If you have any questions about these changes, or comments on the legislation please contact Jane Ewart on 03000 585790 (email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk).