



HM Revenue
& Customs

Stamp Duty Land Tax: Relief for first time buyers

Guidance Note
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Introduction

At Budget 2017, relief from stamp duty land tax (SDLT) was introduced for first time buyers. The relief applies from 22 November 2017 to purchases of residential property for £500,000 or less, provided the purchaser intends to occupy the property as their only or main residence.

From 29 October 2018 the relief will be extended to include first time buyers purchasing through approved shared ownership schemes who do not elect to pay SDLT on the market value of the property but instead pay SDLT in stages. This extension will apply retrospectively from 22 November 2017 onwards.

Purchasers of shared ownership property who elect to pay SDLT on the market value of the property have been eligible for the relief since its introduction.

Further details on how first time buyers' relief applies to purchases of shared ownership property can be found in Chapter 6 of this guidance note.

First time buyers purchasing their first home for £300,000 or less will pay no SDLT. Where the purchase price is over £300,000 but does not exceed £500,000 they will pay 5% on the amount above £300,000.

The relief will apply to purchases in England, Wales and Northern Ireland. In Wales, it will apply until Land Transactions Tax replaces SDLT for transactions in Wales from 1 April 2018. The Scottish Government's Land and Buildings Transaction Tax came into force on 1 April 2015, replacing SDLT for land transactions in Scotland.

A calculator is available on HMRC's website which calculates the SDLT due for first time buyers who are eligible to claim the relief:

<https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax>

The legislation covering first time buyers' relief can be found in Schedule 6ZA, to Finance Act (FA) 2003. The changes to extend the relief for certain shared ownership transactions will be given provisional effect, from 29 October 2018, by a motion made under the Provisional Collection of Taxes Act 1968.

This note provides further details about the relief, including the conditions that must be met before the relief can be claimed and how to claim the relief.

Chapter 1: Overview of relief for first time buyers

Broadly, this relief applies where:

- there is a purchase of a single dwelling,
- the purchase price is not more than £500,000,
- the purchaser or, if there is more than one, each of them, is an individual,
- the purchaser or, if there is more than one, each of them, is a first time buyer, who intends to occupy the dwelling as their only or main residence,
- the effective date of the transaction is on or after 22 November 2017, and
- the purchase is not linked to any other land transactions, except for –
 - land that is or forms part of the gardens or grounds of the dwelling, or
 - land that subsists for the benefit of either the dwelling or its garden and grounds.

Full details of the relief are contained in Chapters 2 to 7 of this note.

Relief is not available if the purchase is of an additional dwelling, which is liable to the higher rates of SDLT under schedule 4ZA FA 2003.

The relief does not apply to the purchase of non-residential or mixed use properties. A mixed-use property is one which includes both residential and non-residential elements, such as a shop with a flat above.

The relief does not affect the amount of SDLT which may be payable on the net present value of any rent payable under a lease.

The relief must be claimed on a land transaction return, or an amendment to a return, by entering code 32 in the appropriate field of the return.

Where relief is available the rates of SDLT applicable are:

- 0% on the first £300,000 of the purchase price, and
- 5% on the amount above £300,000.

For example the tax due on the purchase of a dwelling by a first time buyer for £450,000 would be £7,500, calculated as follows:

<u>Proportion of consideration</u>	<u>Rate</u>	<u>Amount</u>
On the first £300,000 of the purchase price	0%	£0
On the remaining £150,000	5%	£7,500

Chapter 2: Conditions for claiming relief

The first condition: Purchase of a single dwelling

Relief is only available in respect of the purchase of a major interest in a single dwelling. A purchase of more than one dwelling in a single transaction will not give rise to relief. It will be important in some cases to determine whether premises consists of one or more than one dwelling - It is a question of fact whether a purchase consists of one or more than one dwelling. A self-contained part of a building will be a separate dwelling if the residents of that part can live independently of the residents of the rest of the building, including independent access and domestic facilities.

See Chapter 4 for the definition of “dwelling”.

A purchase is a purchase of a major interest if the interest acquired is a freehold or leasehold interest; for this purpose, an acquisition (whether by grant or transfer) of a lease with less than 21 years to expiry from the effective date, is not treated as a major interest.

The second condition: Relevant consideration is not more than £500,000

Relief is only available where the relevant consideration for the transaction is not more than £500,000. Relevant consideration will include all the normal amounts that are taken into account in working out the chargeable consideration for SDLT, but the value of any rent payable under a lease is not taken into account.

Where a transaction is not linked to any other transactions, the £500,000 maximum applies to the consideration for that transaction only. Where a transaction is linked to other transactions and relief is still available (see below in respect of the fourth condition) the relevant consideration is the sum of the chargeable consideration of each linked transaction; if the relevant consideration for all the linked transactions exceeds £500,000, none of the transactions qualify for relief.

The third condition: The purchaser or purchasers are first time buyers intending to occupy the dwelling as a main residence

Only purchasers who are individuals are entitled to claim relief. If there is a purchaser who is a company then no relief is available.

All the purchasers must be first time buyers. See Chapter 3 for the meaning of first time buyer. If there are any purchasers who are not first time buyers then no relief is available.

All the purchasers must intend to occupy the dwelling as their only or main residence.

In cases where an individual resides at only one dwelling, that will be their only or main residence.

There may be cases where an individual first time buyer intends to continue to reside at another dwelling following the purchase of a dwelling, for example the individual maintains a home that they rent from someone else and intends to continue to do so indefinitely. In such cases, all of the facts and circumstances of the case should be considered to determine whether the individual intends the purchased dwelling to be their main residence.

It is not necessary that the purchaser must occupy the property immediately following purchase. At the effective date of the transaction, there must be a clear intention to occupy the dwelling as the purchaser's only or main residence and the fact that circumstances make it either impossible or impractical to immediately occupy the dwelling do not prevent relief being due.

The fourth condition: linked transactions

If the transaction consisting of the purchase of a dwelling is linked to another transaction then no relief will be available unless the other transaction is the purchase of garden, grounds or interests or rights in land that subsist for the benefit of the dwelling, such as rights of way.

Linked transactions are those which form part of a single scheme, arrangement or series of transactions between the same vendor and purchaser or, in either case, persons connected with them. See the Stamp Duty Land Tax Manual at page SDLTM30100.

See the second condition above regarding the effect of a linked transaction on the application of the £500,000 maximum relevant consideration.

Commencement

The relief applies to all transactions with an effective date (usually the date of completion) on or after 22 November 2017. That includes transactions where completion has occurred on 22 November 2017 before the Chancellor announced the relief. It does not matter if a transaction was agreed before the 22 November 2017. However, you do need to take into account any transaction before 22 November 2017 that is linked to a transaction that would otherwise attract relief with an effective date on or after 22 November 2017, see above regarding the second and fourth conditions and linked transactions.

Chapter 3: Definition of a first time buyer

In order to count as a first time buyer, a purchaser must not, either alone or with others, have previously acquired a major interest in a dwelling or an equivalent interest in land situated anywhere in the world.

This includes previous acquisitions by inheritance or gift, or by a financial institution on behalf of a person under an alternative finance scheme.

Relief is not denied by virtue of a previous acquisition as a trustee unless the purchaser was also a beneficiary of the trust.

Relief is also not denied if the purchaser owns or has previously owned non-residential or mixed-use property, as long as that property did not include a dwelling.

This restriction does not apply where the interest acquired was the grant or assignment of a lease with less than 21 years to run.

If the property is purchased jointly, all the purchasers must meet these conditions.

Chapter 4: Definition of a dwelling

“Dwelling” takes its ordinary meaning in the context of SDLT subject to some differences. The meaning of dwelling includes a building or part of a building that is used or suitable for use as a single dwelling, or is in the process of being constructed or adapted for use as a dwelling.

Land that is or forms part of the grounds or gardens of a dwelling and land that subsists for the benefit of the dwelling are normally considered to be part of that dwelling.

For the purposes of the relief an off-plan purchase will also count as dwelling where –

- contracts have been exchanged for the purchase of a building, or part of building, which is to be constructed or adapted for use as a single dwelling,
- the contract is substantially performed, and
- at the time of substantial performance the construction or adaptation of the building has not yet begun.

Holiday homes and furnished holiday lettings are dwellings if they are suitable to be used as dwellings.

Although residential accommodation for school pupils, purpose-built student accommodation, purpose-built accommodation for members of the armed forces and some other types of institutional accommodation are explicitly included within the meaning of residential property for the purposes of SDLT in general, these types of accommodation are **not** included within the meaning of dwelling for the purposes of this relief.

Chapter 5: Linked transactions

Normally relief only applies to the purchase of a dwelling, but the relief can apply to transactions which do not consist of the purchase of a dwelling, if such a transaction is linked with the purchase of a dwelling. Relief can be claimed in respect of such a linked transaction if:

- the main subject matter of the transaction is gardens or grounds in relation to the purchased dwelling, or interests subsisting for the benefit of the purchased dwelling, and
- there are no purchasers in relation to the linked transaction who were not purchasers of the dwelling.

A linked transaction may mean that relief that was due at the time of a transaction ceases to be due because of the occurrence of the later linked transaction. This could happen where either

- there is a linked transaction, the subject matter of which is not garden, grounds or interests subsisting for the benefit of the purchased dwelling, or
- there is a linked transaction whose consideration made the total relevant consideration for all the linked transactions greater than £500,000.

If the linked transactions occur on the same day then the transactions may all be reported on the same return and relief should only be claimed where it is due, taking into account all of those transactions.

If a later linked transaction happens before the return for the original transaction is submitted to HMRC then all the transactions occurring up until the date of submission should be taken into account in determining the eligibility and amount of relief.

Where a later linked transactions occurs after the original return has been submitted, the usual procedure applies where a later transaction increases the amount of tax due in respect of an earlier transaction. In such cases, a further return will need to be submitted for the original transaction. The further return would need to recalculate the SDLT due based on either the withdrawal of relief and/or an increase in the relevant consideration. The further return must be made within 30 days of the date of the later transaction and any increase in tax relating to the original transaction must be paid by the same date. The rules for this are at section 81A of FA 2003.

Further guidance on linked transactions is available in the SDLT Manual at [SDLTM50350](#).

Chapter 6: Interaction with other SDLT rules

Higher rates for additional dwellings

Where a transaction is liable to the higher rates for additional dwellings in schedule 4ZA FA 2003, relief cannot be claimed.

Alternative finance arrangements

Where a dwelling is purchased through an alternative finance arrangement, relief may be claimed but the entitlement to relief is determined in relation to the “person” who is entitled to occupy the property as a result of the arrangements referred to in sections 71A and 73 FA 2003 and not in respect to the financial institution that is the purchaser.

Shared ownership

Relief may be claimed in respect of the grant of a shared ownership lease, whether the purchaser makes a market value election or chooses to pay SDLT in stages. General guidance on shared ownership can be found on gov.uk at: <https://www.gov.uk/stamp-duty-land-tax/shared-ownership-property>

Where the relief is claimed the SDLT rates for first time buyers will apply as follows:

Market Value Election

Where a market value election is made, the SDLT rates for first time buyers apply to the relevant consideration under that treatment. Where the relief is claimed, no SDLT will be due on any rent paid under the lease. A market value election can only be made at the time the initial lease is granted by the scheme provider. Once made an election cannot be withdrawn.

Example:

A first time buyer pays £155,000 for a 50% share in a shared ownership property with a market value of £310,000. A market value election is made, with SDLT being due on the total market value of £310,000. As the relevant consideration (i.e. the market value of the property) is below £500,000 first time buyers’ relief can be claimed. If relief is claimed, the purchaser will pay SDLT at 0% on the first £300,000 and 5% on the remaining £10,000, paying a total of £500 in SDLT. No further SDLT will be due on any further shares purchased or if the buyer goes on to purchase the property outright. No SDLT is payable on the rental payments.

Paying SDLT in Stages

Where the purchaser chooses instead to pay SDLT in stages, the SDLT rates for first time buyers will apply to the actual consideration (the premium) paid for the initial share purchased. To be eligible for the relief, the market value of the property as referenced in

the lease must be £500,000 or less. Where the relief is claimed no SDLT will be payable on the rental payments. The relief applies only to the first transaction, when the lease is granted by the scheme provider.

Example:

A first time buyer pays £150,000 (the premium) for a 40% share in a property with a market value of £375,000. The purchaser decides to pay SDLT in stages. As the market value of the property is below £500,000 the SDLT rates for first time buyers apply. no SDLT will be due on the £150,000. SDLT may be due on the rental payments, but as first time buyers' relief is being claimed, the relief also applies to the rental payments, therefore no SDLT is due on this transaction.

Staircasing transactions

The relief for first time buyers does not apply to subsequent transactions where the purchaser, after being granted the lease, purchases further shares in the property (commonly referred to as "staircasing").

Any staircasing transaction will not lead to the withdrawal of the relief claimed on the grant of the lease, even if the total paid for all the transactions exceeds £500,000.

Where no market value election is made, no further SDLT will be due until the purchaser increases their ownership share in the property over 80%. Here the normal rules for shared ownership, including the standard SDLT residential rates and method of calculation, apply to the transaction that takes the purchaser's ownership share over 80% and any subsequent staircasing transactions.

Claiming the relief and refund of tax

If the effective date of the purchase (this is usually the date of completion) is –

- on or after 29 October 2018, or
- between 22 November 2017 and 28 October 2018 and a return has not yet been filed for the transaction

see Chapter 7 for guidance on how to claim the relief.

As the extension of the relief will apply retrospectively from 22 November 2017, a refund of tax can be claimed if the effective date of the purchase was on or after the 22 November 2017 and a return has been submitted and SDLT paid in circumstances which now qualify for first time buyers' relief.

Claims for refunds must be made in writing to HMRC

(<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/stamp-duty-land-tax>) with relevant details of the transaction. Details required include:

- the reason why the amendment is being made (i.e. claiming first time buyers' relief)

- the UTRN for that return (this is the unique reference number on the original SDLT return)
- revised figures and confirmation of the amount of SDLT to be refunded
- confirmation of who to pay.

A copy of the contract does not need to be included with the refund claim.

HMRC can only pay the refund to the purchaser, unless they write to give permission to pay it to someone else, for example, the solicitor or agent. Any authority letter must clearly tell us who we should repay.

The HMRC Stamp Taxes calculator on the HMRC website at <https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax> can be used to calculate the amount of SDLT due if submitting a return. You can calculate the amount of any refund due by claiming the relief by comparing it to the amount of SDLT paid on the original SDLT return.

If a market value election was made and first time buyers' relief claimed the election cannot be withdrawn. However, an amendment to the return to reclaim any SDLT paid on the rent can be made.

The normal time limit for amending a return has been extended. Claims for refunds must be made no later than 28 October 2019.

Chapter 7: Claiming the relief

Relief must be claimed either in a land transaction return or an amendment to that return.

A claim to relief for first time buyers does not need to be accompanied by any particular additional information but code 32 must be entered into the reliefs field of the return.

Where the return is completed and submitted online, it will calculate the tax due using the special rates for first time buyers.

Where relief is being claimed on a property purchased through an approved shared ownership scheme, customers should use the HMRC Stamp Taxes calculator on the HMRC website (<https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax>) to work out the SDLT liability. Additional questions for first time buyers and shared ownership will be added to the HMRC Stamp Taxes calculator to enable calculation of the correct SDLT. Use the figures from the calculator to populate question 1.14, 1.24 and 1.25 on the online SDLT return, code 32 must be entered into the reliefs field of the return.

Chapter 8: Question and Answers

- Q1. When does the relief apply from?
A1. The relief is available for transactions with an effective date, usually the date of completion, on or after 22 November 2017.
- Q2. What is the effective date for SDLT purposes?
A2. The effective date is normally the date of completion, although it may be earlier than this if, for example, the purchaser takes possession or pays the bulk of the consideration due in advance of completion.
- Q3. Is there a price limit for claiming the relief?
A3. Yes, the relevant consideration must not exceed £500,000. Where the purchase is linked to other transactions and relief is still available, the £500,000 limit applies to the total sum paid for all transactions.
- Q4. Does the relief have to be claimed and if so, how do I claim it?
A4. The relief must be claimed on a land transaction return by entering relief code 32 at question 1.9.
- Q5. I am a first time buyer but completed just before 22 November 2017, can I have a refund?
A5. No, you will not be able to get a refund. The relief is only available for purchases that complete on or after 22 November 2017.
- Q6. I am a first time buyer but my spouse owned a dwelling before we were married. Do we qualify for first time buyer's relief?
A6. No. For joint purchasers, all purchasers must be first time buyers.
- Q7. How do I work out how much tax I have to pay?
A7. You can find a calculator on the HMRC website at:
<https://www.tax.service.gov.uk/calculate-stamp-duty-land-tax>
- Q8. If I put in the wrong amount of tax on my SDLT return, can I correct it?
A8. Yes you can correct it. You can amend your return at any time within 13 months of the effective date. If you need to make an amendment to the amount of tax on your return you can do this by calling the HMRC Stamp Duty Land Tax Helpline on 0300 200 3510. You must tell the Helpline advisor what your unique transaction reference number (UTRN) is for the transaction and the change you want the advisor to make.
- Q9. I am entitled to claim first time buyers' relief but entered the wrong amount on my return and paid the wrong amount. What do I do?
A9. You can claim a refund by writing to the Stamp Duty Land Tax Office, quoting the UTRN for the transaction. You will need to include a copy of the original SDLT return with your claim along with the following information:
- an explanation of why you think you overpaid,

- which parts of the SDLT return are wrong,
- revised figures and confirmation of the amount of refund due,
- confirm who should be repaid (you will need to give permission for the money to be paid to someone else).

Post your repayment claim to Birmingham Stamps Office using the following address:

BT - Stamp Duty Land Tax
 HM Revenue and Customs
 BX9 1HD
 United Kingdom

Q10. How do I claim the relief?

A10. The relief must be claimed on the SDLT return by entering code 32 at question 1.9.

Q11. I previously bought a house jointly with my spouse/partner. The relationship has broken down so can I be treated as a first time buyer?

A11. No. Where a person has previously acquired an interest in a dwelling as a joint tenant or a tenant in common, that person is not a first time buyer.

Q12. Can I claim relief if I have inherited a dwelling and am using the sale proceeds to purchase a home?

A12. No, if the inheritance resulted in you acquiring a freehold or leasehold interest then you cannot claim first time buyers' relief.

Q13. Can I get relief if I have previously owned an inherited property?

A13. No, if the inherited property was a freehold or leasehold interest in a dwelling.

Q14. We are first-time buyers buying a dwelling jointly but only one of us intends to use the property as our only or main residence. Can we claim the relief?

A14. No. All the purchasers must intend to use the property as their only or main residence.

Q15. Does having held a previous interest in a dwelling include a beneficial interest?

A15. If you have previously held a beneficial (sometimes referred to as equitable) interest in a dwelling (except a leasehold interest of less than 21 years duration) you cannot claim first time buyers' relief.

Q16. Can I claim relief if I have previously bought a dwelling as a trustee?

A16. Yes, provided that you were not also a beneficiary of the trust and you meet the other conditions.

Q17. Can I claim relief if my parents bought a house for me as a student?

A17. Not if you owned the house. Relief would be available if your parents owned the house in their names and you have never owned a dwelling.

Q18. I am buying a commercial property and I have never owned an interest in any residential or commercial property before. Do I qualify for first time buyers' relief?

A18. No. The reduced rates only apply to the purchase of a dwelling.

Q19. I currently live in rented accommodation but own a dwelling that is rented out. I am now looking to purchase my first home, for me and my family to live in. Will I get first time buyers' relief?

A19. No. The relief can only apply to individuals who have not previously owned a dwelling either in the UK or anywhere in the world

Q20. Can I claim the relief if I'm buying on behalf of my parents?

A20. No. Relief is not available unless the first time buyer(s) are buying, for themselves, a property that they intend to use as their only or main residence.

Q21. Can the relief be claimed on shared ownership transactions?

A21. Where the market value of the property does not exceed £500,000, relief is available whether you elect to be taxed on the market value of the property, or decide to pay SDLT in stages when the lease is first granted. The relief does not apply to subsequent transactions where you increase your ownership in the property by buying further shares (commonly referred to as 'staircasing').

Q22: I claimed first time buyers' relief when I acquired my first house in December 2017. I paid £475,000. The seller has now offered to sell me the land at the end of my garden, for £30,000. If I buy that, what is my SDLT position?

A22: If you buy the garden, that transaction will be linked to the purchase of your house. As total relevant consideration for your house and the additional garden exceeds £500,000, you will lose your first time buyers' relief on your house. You would need to repay the SDLT relief and file a further return in relation to your home – see the guidance at SDLT50350. You will also have to pay SDLT on the £30,000 paid for the garden, applying the usual SDLT rules for linked transaction.

Q23. Is there an age limit on claiming the relief?

A23. No. First time buyers can be of any age.