HM Revenue & Customs

Stamp Duty Land Tax/ Higher rates for Additional Dwellings / Refunds and Exceptional Circumstances

Who is likely to be affected

Individuals who paid Stamp Duty Land Tax (SDLT) at the higher rate for additional dwellings and have been prevented from selling their previous main residence within the 3-year time limit because of exceptional circumstances such as COVID-19. As a result, these individuals are unable to obtain a repayment of the higher rates.

General description of the measure

The measure will enable individuals to obtain a repayment of the higher rates for additional dwellings where exceptional circumstances, including COVID-19 related exceptional circumstances, have resulted in the sale of their previous main residence taking place outside of the statutory 3-year time period.

Policy objective

The measure will enable taxpayers to obtain a refund of the higher rates for additional dwellings where their previous main residence has been sold outside the prescribed 3-year period if exceptional circumstances, such as those relating to COVID-19, have prevented them from selling the property within the prescribed period.

Exceptional circumstances are circumstances outside the control of the person selling their previous main residence. Where the person had a buyer for their property who then withdrew from the purchase, the circumstances must also be outside the control of the prospective buyer. HMRC has updated its SDLT guidance on GOV.UK to give examples of exceptional and unexceptional circumstances.

Taxpayers must sell their previous main residence as soon as possible after the exceptional circumstances no longer applies.

Background to the measure

Higher rates for additional dwellings were introduced on 1 April 2016, with the main rules contained within Schedule 4ZA Finance Act 2003 (FA 2003).

These rules require individuals who buy dwellings while already owning an interest in another dwelling to pay SDLT at rates 3 percentage points above the standard rates.

An exception to this rule arises when someone replaces their main residence. The higher rates for additional dwellings will not be chargeable if the previous main residence is sold before, or at the same time as, the new main residence is bought.

If the previous main residence is sold after, but within 3 years of, buying the new main residence, the person must pay the higher rates but they may then amend their SDLT return to obtain a refund of the higher rate.

The COVID-19 outbreak has caused unprecedented disruption throughout the UK. On 26 March 2020, the Ministry of Housing, Communities and Local Government published guidance advising against physical viewings and valuations of properties meaning that selling a home was not possible for some people.

As a result of these measures, individuals who intended to obtain a refund of higher rate tax by disposing of a previous main residence within the 3-year time limit may have been unable to do so.

This measure provides that a repayment may be obtained where exceptional circumstances mean that taxpayers miss the 3-year time limit.

Detailed proposal

Operative date

The measure will come into effect on Royal Assent to Finance Bill 2020 and will apply to SDLT paid on purchases with an effective date on or after 1 January 2017. The disposal of the previous main residence must take place on or after 1 January 2020.

This measure will only apply to individuals with properties situated in England and Northern Ireland as SDLT is devolved to Wales and Scotland.

Current law

Schedule 4ZA FA 2003 makes provisions to charge the higher rates of SDLT. The 3-year time limit is at paragraph 3(7)(b) of Schedule 4ZA.

By virtue of paragraph 8 of Schedule 4ZA, a purchaser can claim a repayment of the higher rates for additional dwellings provided they sell their previous main residence within 3 years of buying their new main residence.

Proposed revisions

Legislation introduced in the Finance Bill 2020 will amend Paragraph 3 and Paragraph 8 of Schedule 4ZA of FA 2003.

The amended legislation will allow a repayment of higher rates for additional dwellings where HMRC is satisfied that;

- there were exceptional circumstances that prevented the person from selling the previous main residence within the 3 year period, and
- the person sold the residence as soon as practically possible and has made an application within 12 months of the disposal of the previous main residence.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026

The Office for Budget Responsibility will include the impact of this measure in its forecast at the next fiscal event.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure is expected to have a positive impact on individuals, households and families experiencing exceptional circumstances and provides additional time to reclaim higher rates for additional dwellings. Customer experience is therefore expected to improve.

The measure is not expected to have an impact on family formation, stability or breakdown.

Equalities impacts

This measure is likely to have a positive impact on the elderly and vulnerable taxpayers who for exceptional reasons have been unable to obtain a refund for higher rates within the time frame.

This measure is not expected to have an impact on any other groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 4,000 conveyancers and property professionals that file SDLT returns and make refund claims on behalf of their clients. One-off costs include familiarisation with the new rules. There are not expected to be any continuing costs.

Customer experience is expected to remain broadly the same as the measure does not change how businesses interact with HMRC.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur minimal costs in implementing this measure.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact stamptaxes.budgetfinancebill@hmrc.gov.uk

Declaration

Rt Hon Jesse Norman MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.