

Stamp Duty Land Tax: Disadvantaged Areas Relief: Repeal

Who is likely to be affected?

Purchasers of residential property in areas designated as 'disadvantaged', where the purchase price does not exceed £150,000.

General description of the measure

Legislation provides relief from stamp duty land tax (SDLT) for purchases of residential property in areas designated as 'disadvantaged' where the purchase price does not exceed £150,000. There is no evidence to suggest that the availability of this relief encourages ownership in disadvantaged areas, and it is therefore being repealed.

Policy objective

The repeal supports the Government's objective to simplify the tax system and is part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May 2011 and views were requested on the Government's proposal to repeal this relief. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs (HMRC) websites.

Detailed proposal

Operative date

This measure will have effect for transactions with an effective date on or after 6 April 2013. All claims for relief for purchases of residential property must be made on or before 5 May 2014. The transitional provisions that were introduced when disadvantaged areas relief for non-residential properties was abolished in 2005 will be retained.

Current law

Section 57 and Schedule 6 of the Finance Act 2003 set out the main provisions relating to disadvantaged areas relief.

The Stamp Duty (Disadvantaged Areas) Regulations 2011 (SI 2001/3747) lists the disadvantaged areas to which the relief applies.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to withdraw the relief and make consequential amendments.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	This measure is expected to increase receipts by approximately £40 million per annum. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at Budget 2012.				
Economic impact	No significant macroeconomic impacts are anticipated. There may be a small negative microeconomic impact on the volume and value of residential transactions in the price range and areas affected.				
Impact on individuals and households	Around 30,000 individuals each year will be affected by the withdrawal of this relief. The cost per individual buying a property in an affected area will be between £1,250 and £1,500. The impact on compliance costs for these individuals will be insignificant.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	There will be no direct impact on business. There may be a small negative impact on the revenue of some businesses, due to the small negative microeconomic impact on the volume and value of residential transactions in the price range and areas affected. There will be a small benefit to conveyancers who will not need to check whether the relief is due and work out the value of the relief for their client. The administrative burden saving is expected to be insignificant.				
Operational impact (£m) (HMRC or other)	The estimated costs of making changes to HMRC's information technology system are expected to be between £250,000 and £450,000. This change is not expected to have any significant impact on HMRC operational costs.				
Other impacts	The potential for other impacts has been considered and none have been identified.				

Monitoring and evaluation

This change does not require monitoring or evaluation. It removes an unnecessary relief. Any correspondence received on the impact of the repeal will be dealt with on a case by case basis.

Further advice

If you have any questions about this change, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).

1 Stamp duty land tax: abolition of disadvantaged areas relief

Schedule 1 contains provision abolishing relief from stamp duty land tax in the case of transactions relating to land in disadvantaged areas.

SCHEDULE 1

Section 1

SDLT: ABOLITION OF DISADVANTAGED AREAS RELIEF

Disadvantaged areas relief

- 1 (1) Section 57 of, and Schedule 6 to, FA 2003 (disadvantaged areas relief) are repealed.
- (2) In consequence of the provision made by sub-paragraph (1), omit the following provisions—
 - (a) in section 360C of CAA 2001, subsection (2)(b) (and the “or” before it);
 - (b) in FA 2003—
 - (i) section 112(2),
 - (ii) in Schedule 15, paragraph 26, and
 - (iii) in paragraph 18A of Schedule 17A, sub-paragraph (5)(b) (and the “or” before it);
 - (c) in FA 2004, section 298(5);
 - (d) in FA 2005—
 - (i) section 96, and
 - (ii) in Schedule 9, paragraphs 1 and 4;
 - (e) in FA 2008—
 - (i) section 95(6),
 - (ii) in Schedule 30, paragraph 6, and
 - (iii) in Schedule 31, paragraphs 4 and 9;
 - (f) in Schedule 22 to FA 2011, paragraph 4.
- (3) In Schedule 15 to FA 2003, in paragraph 25(2), for “paragraphs 26 to 28” substitute “paragraphs 27 and 28”.

Application and transitional provision

- 2 (1) The amendments made by this Schedule have effect in relation to transactions with an effective date on or after 6 April 2013.
- (2) This paragraph is subject to paragraph 3.
- 3 (1) The amendments made by this Schedule do not have effect in relation to—
 - (a) any transaction that is effected in pursuance of a contract entered into and substantially performed on or before 16 March 2005, or
 - (b) (subject to sub-paragraph (2)) any other transaction that is effected in pursuance of a contract entered into on or before that date.
- (2) The exclusion by sub-paragraph (1)(b) of transactions effected in pursuance of any contract entered into on or before 16 March 2005 does not apply if—
 - (a) there is any variation of the contract or assignment of rights under the contract after that date,

- (b) the transaction is effected in consequence of the exercise after that date of any option, right of pre-emption or similar right, or
 - (c) after that date there is an assignment, subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.
 - (3) Expressions used in this paragraph and in Part 4 of FA 2003 have the same meaning in this paragraph as they have in that Part.
- 4
- (1) Any claim for relief under Schedule 6 to FA 2003 (disadvantaged areas relief) which is made in respect of a transaction with an effective date on or before 5 April 2013 must be made before 6 May 2014.
 - (2) Sub-paragraph (1) applies –
 - (a) whether or not the claim is made in a land transaction return or an amendment of such a return, and
 - (b) whether the effective date of the transaction is before or after the day on which this Act comes into force.
 - (3) Expressions used in this paragraph and in Part 4 of FA 2003 have the same meaning in this paragraph as they have in that Part.

EXPLANATORY NOTE

REPEAL OF STAMP DUTY LAND TAX RELIEF FOR PURCHASES OF LAND IN DISADVANTAGED AREAS

SUMMARY

1. This clause and Schedule repeal the stamp duty land tax relief for purchases of land in disadvantaged areas.

DETAILS OF THE SCHEDULE

2. Paragraph 1(1) repeals section 57 of, and Schedule 6 to, Finance Act (FA) 2003 which provide relief from stamp duty land tax for purchases of residential property in areas designated as disadvantaged. Paragraphs 1(2) and (3) make consequential amendments.
3. Paragraph 2 sets out the commencement provisions that apply to the amendments made by paragraph 1.
4. Paragraph 3 provides that, subject to certain exclusions, the relief will continue to apply to the completion or substantial performance of contracts entered into on or before 16 March 2005, when the relief for transfers of commercial land was withdrawn. The exclusions include the variation or the assignment of the contract or the subsale of the property after 16 March 2005.
5. Paragraph 4 provides that claims for relief for transactions with an effective date on or before 5 April 2013 must be made before 6 May 2014.

BACKGROUND NOTE

6. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over the summer. The Government response to the consultation, published on 6 December 2011, confirmed the abolition of this relief.
7. If you have any questions about this change or comments on the legislation, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).