

NOTICES OF AMENDMENTS

Wednesday 25 June 2014

CONSIDERATION OF BILL

Mr Chancellor of the Exchequer

NC7

To move the following Clause—

“SDLT: exercise of collective rights by tenants of flats

- (1) In section 74 of FA 2003 (exercise of collective rights by tenants of flats), in subsection (1A) for “£2,000,000”, in each place it occurs, substitute “£500,000”.
- (2) The amendments made by this section have effect in relation to any chargeable transaction of which the effective date is on or after 1 July 2014.
- (3) But the amendments do not have effect in relation to a transaction—
 - (a) effected in pursuance of a contract entered into and substantially performed before 20 March 2014, or
 - (b) effected in pursuance of a contract entered into before that date and not excluded by subsection (4).
- (4) A transaction effected in pursuance of a contract entered into before 20 March 2014 is excluded by this subsection if—
 - (a) there is any variation of the contract, or assignment (or assignation) of rights under the contract, on or after 20 March 2014,
 - (b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or
 - (c) on or after that date there is an assignment (or assignation), 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.”

EXPLANATORY NOTE

NEW CLAUSE 7: SDLT: EXERCISE OF COLLECTIVE RIGHTS BY TENANTS OF FLATS

SUMMARY

1. New Clause 7 extends the reduction in the starting threshold for the 15% higher rate Stamp Duty Land Tax (SDLT) charge from £2 million to £500,000, introduced by clause 105 of the Finance Bill, to the SDLT relief for the exercise of collective rights by tenants of flats.

DETAILS OF THE CLAUSE

2. Subsection (1) amends section 74 of Finance Act 2003 by substituting “£500,000” for “£2,000,000” in each place where it occurs.

3. Subsection (2) provides that the measure commences for land transactions where the effective date is on or after [the first day of Report].

4. Subsection (3) provides that (with exceptions set out in subsection (4)) the £2,000,000 threshold is retained for transactions where contracts were entered into before 20 March 2014.

5. Subsection (4) excludes from the transitional provision at subsection (3) certain transactions where the outcome is different from that provided for in the contract due to an event which occurs on or after 20 March 2014.

BACKGROUND NOTE

6. Section 74 Finance Act 2003 provides SDLT relief for lessees of flats who collectively acquire the freehold of their block under rights afforded by the Landlord and Tenant Act 1987 and the Leasehold Reform, Housing and Urban Development Act 1993. The relief sets the rate of SDLT according to the consideration given for the freehold divided by the number of flats. This brings the amount of SDLT paid by lessees more into line with what they might have paid had they been able to acquire the freehold of their flat separately.

7. These acquisitions are commonly undertaken by a company in which the lessees are shareholders. In these circumstances the 15% higher rate SDLT charge at Schedule 4A Finance Act 2003 will apply if the mean consideration exceeds the higher rate threshold.

8. Clause 105 of the Finance (No. 2) Bill reduces the higher rate threshold from £2,000,000 to £500,000 for transactions where the effective date is on or after 20 March 2014. However clause 105 omitted to apply the reduction to the relief at section 74 Finance Act 2003. The New Clause rectifies this omission.