



Stamp duty land tax: reform of structure, rates and threshold

Who is likely to be affected?

Purchasers and vendors of UK residential property worth more than £125,000.

General description of the measure

The measure changes the rules for calculating the stamp duty land tax (SDLT) charged on purchases of residential properties. At present SDLT is charged at a single percentage of the price paid for the property, depending on the rate band within which the purchase price falls. From 4 December 2014, SDLT will be charged at each rate on the portion of the purchase price which falls within each rate band.

The new rates and thresholds are:

Property value band	Rate
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001+	12%

Policy objective

This measure makes the tax system fairer and more efficient by removing the distortions associated with the current structure, which results in large increases in the amount of tax payable as soon as the price paid exceeds a rate threshold.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect on and after 4 December 2014. Where contracts have been exchanged but transactions have not completed on or before 3 December 2014, purchasers will have a choice of whether the old or new structure and rates apply. This measure will apply in Scotland until 1 April 2015, when SDLT is devolved.

Current law

The main SDLT legislation is in Part 4 Finance Act 2003. Section 55 provides for the amount of tax chargeable and sets out separate tables of rates for purchases of residential and non-residential (or mixed residential and non-residential) property. Section 56 and Schedule 5 Finance Act 2003 provide for a separate SDLT charge on the net present value of the rent payable under a new lease.

Proposed revisions

A Bill will be introduced in December 2014 to amend section 55, to provide for a new method of calculating the amount of tax due in respect of transactions to which Table A (residential property) applies and to amend the tax rates and thresholds set out in Table A.

The changes will have effect on and after 4 December 2014 by virtue of a resolution under the Provisional Collection of Taxes Act 1968.

There will be no changes in respect of transactions to which Table B (non-residential and “mixed” property) applies, or to the Schedule 5 charge on the net present value of rent.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-395	-760	-840	-850	-815	-785
	These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	Removing distortions associated with the current structure of SDLT whilst lowering the cost of moving for the vast majority of the market will encourage more efficient use of the housing stock.					
Impact on individuals, households and families	<p>There are approximately 1,000,000 residential property transactions per year. All residential property transactions worth less than £937,500 will pay the same SDLT or less compared to the current system. This is equivalent to 98 per cent of transactions.</p> <p>This measure is not expected to have an impact on family formation, stability or breakdown.</p>					
Equalities impacts	<p>The impact of these changes will reflect the demographic composition of buyers across the spectrum of property values.</p> <p>This measure is not expected to have an impact on any of the other legally protected equality groups.</p>					
Impact on business including civil society organisations	<p>This measure is expected to have a negligible impact on businesses. Approximately 40,000 businesses (lawyers and conveyancers) are expected to incur negligible one-off costs due to familiarising themselves with the new structure of SDLT. The process of automatically calculating the amount of tax will be fully integrated into HMRC online systems from April. Before then HMRC is providing online calculators to reduce the administrative burden of the change in method to taxpayers. There may be an additional ongoing cost for the few businesses that do not file online. This is also anticipated to be negligible.</p> <p>This measure is expected to have no impact on civil society organisations.</p>					
Operational impact (£m) (HMRC or other)	Changes will be required to HM Revenue and Customs (HMRC) IT systems including online tax calculators. In advance of the main systems changes HMRC will support customers by providing a standalone online calculator, boosting Helpline capacity and contacting agents to inform them of the change in rules. The changes and interim support will cost £600,000 for IT and up to £1.25 million in staff time and other costs.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored and assessed through information collected from tax returns, and published as Official Statistics.

Further advice

If you have any questions about this change, please contact the HMRC SDLT Helpline on 0300 200 3510 (from abroad +44 1726 209 042).

Declaration

David Gauke 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.