Explanatory Note

Clause 52: SDLT higher rate - acquisition under a regulated home reversion plan

Summary

1. This measure introduces a new relief from the 15% higher rate of stamp duty land tax (SDLT) where a purchaser acquires the whole or part of a dwelling exclusively for the purposes of entering into an equity release scheme, specifically a home reversion plan.

Details of the clause

2. Subsection (1) amends Schedule 4A to Finance Act 2003.
3. Subsection (2) inserts new paragraph 5CA into Schedule 4A of Finance Act 2003.
4. New paragraphs 5CA(1) and (2) provide that relief from the higher rate of SDLT is available where the purchaser is an authorised plan provider, and acquires an interest in a dwelling as plan provider for the purposes of entering into a regulated home reversion plan.
5. New paragraph 5CA(3) defines the terms:

    - "authorised plan provider" means a person authorised under the Financial Services and Markets Act 2000 to carry on in the United Kingdom the activity specified in article 63B(1) of the Regulated Activities order, that is entering into a regulated Home Reversion Plan.
    - "the Regulated Activities Order" means the Financial Services and Markets (Regulated Activities) Order 2001 (S.I. 2001/544).
    - "regulated home reversion plan" means an arrangement regulated by Chapter 15A of Part 2 of the Regulated Activities Order.

6. New paragraph 5CA(4) provides that references to entering into a regulated home reversion plan as "plan provider" are to be taken to mean those in the Regulated Activities Order S.I. 2001/544.
7. Subsection (3) inserts new paragraph 5IA into Schedule 4A of Finance Act 2003
8. New paragraph 5IA(1) and (2) provides that relief claimed under paragraph 5CA above is withdrawn if, at any time within 3 years of the effective date of the transaction, the purchaser holds the interest otherwise than for the purposes of a regulated home reversion plan.
9. New paragraph 5IA(3) provides that relief will continue to be available if, after the purchaser

ceases to hold the interest in the dwelling for the purposes of a regulated home reversion plan, the purchaser sells the interest without undue delay (except so far as the delay is justified by commercial considerations or cannot be avoided), and that no non-qualifying individual is permitted to occupy the dwelling.

10. New paragraph 5IA(4) defines "the dwelling" as the dwelling to which relief is available under paragraph 5CA above , and a "non-qualifying individual" in accordance with paragraph 5A of Schedule 4A, Finance Act 2003.

11. Subsection (4) provides that these changes come into effect for any land transaction where the effective date is on or after 1 April 2016.

Background note

12. The 15% higher rate of SDLT applies to the acquisition of a 'higher threshold interest' by a company, a partnership with at least one company member, or a collective investment scheme. A higher threshold interest is defined as an interest in a single-dwelling (together with appurtenant rights) to which the chargeable consideration is more than £500,000. There are a number of reliefs available aimed at genuine business acquisitions which can reduce the charge to the standard rate of SDLT. Relief is withdrawn if, within the period of 3 years from the effective date of transaction, the interest is held for any purpose other than those for which the relief was given.

13. Under certain equity release schemes (specifically, home reversion plans) an individual sells to the equity release scheme company, all or part of their property in exchange for an annuity or lump sum, and a lifetime tenancy. The individual can live in the property until death, or on entering into long term care, at which point the property is sold. In such an arrangement, the interest in the property acquired by the equity release scheme company will be liable to the 15% higher rate of SDLT. Currently no relief from the higher rate exists for such an arrangement.

14. This clause introduces new legislation to provide relief from the higher rate of SDLT for entities which acquire an interest in a dwelling as a result of entering into a regulated home reversion plan (as described in the 'Regulated Activities Order 2001' (SI 2001/544)), and where that entity is authorised under the Financial Services and Markets Act 2000 to enter into such plans.

15. Where the last individual living in the property either dies or goes into long term care, the property must be sold without undue delay (or any delay must be justified by commercial considerations or cannot be avoided) otherwise relief will be withdrawn. Similarly, relief is withdrawn if a "non-qualifying individual" is permitted to occupy the property. A non-qualifying individual is a person who has an interest in the property, or a person connected to the person who has an interest in the property.

16. Clause 55 introduces a similar relief from the annual tax on enveloped dwellings.

17. If you have any questions about this change, or comments on the legislation, please contact Jane Ewart on 03000 585790 (email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk).