

Explanatory Note

Clause 53: SDLT higher rate: dwelling converted to use for trade purposes etc

Summary

1. This measure introduces new reliefs from the 15% higher rate of Stamp Duty Land Tax (SDLT) in circumstances where the purchaser, in the course of running a trade, acquires a dwelling for the purposes of either converting the building for use other than as a dwelling, or for permanent demolition.

Details of the clause

2. Subsection (1) amends Schedule 4A to Finance Act 2003.
3. Subsection (2) inserts new paragraph 5AA into Schedule 4A of Finance Act 2003.
4. New paragraph 5AA(1) provides that relief is available from the higher rate of SDLT in relation to the acquisition of an interest in dwelling where it is acquired exclusively for
 - conversion into non-residential use for the purposes of a relievable trade, or
 - permanent demolition of the dwelling in preparation for using the land for the purposes of a relievable trade.
5. New paragraph 5AA(2) provides that a trade is 'relievable trade' if, at the effective date of the transaction, the purchaser is carrying it on on a commercial basis with a view to profit.
6. New paragraph 5AA(3) defines the terms 'the building' as being the same as in paragraph 7, of schedule 4A FA 2003, and 'permanent demolition' as being where the dwelling is not replaced by another dwelling.
7. Subsection (3) inserts new paragraph 5GA into schedule 4A of Finance Act 2003.
8. New paragraph 5GA(1) provides that the relief claimed under paragraph 5AA above (conversion or demolition) will be withdrawn if sub-paragraphs (2) or (4) applies.
9. New paragraph 5GA(2) provides that relief is withdrawn if, at any time within 3 years of the effective date of the transaction the property is used as a dwelling.

New paragraph 5GA(3) provides that, subparagraph (2)) will not apply where the purchaser no longer has a chargeable interest in the dwelling.
10. New paragraph 5G(4) provides that relief is withdrawn if, at the end of a period of 3 years beginning with the effective date of the transaction, conversion or demolition has not begun.

11. New paragraph 5GA(5) defines the term 'the building' as the same as that in new paragraph 5AA(3).
12. Subsections (4) and (5) make consequential amendments to paragraphs 6A and 6C of Schedule 4A Finance Act 2003, as a consequence of new paragraph 5AA.
13. Subsection (6) inserts new paragraph 6EA into schedule 4A of Finance Act 2003, which modifies the withdrawal of relief provisions under new paragraph 5GA above to apply to transactions entered into as part of an alternative property finance arrangement.
14. Subsection (7) provides that these changes have effect for any land transaction where the effective date is on or after 1 April 2016.
15. Subsection (8) modifies new paragraph 6EA where paragraph 29 of the Scotland Act 2012 applies to treat a transaction as liable to stamp duty land tax and not land and buildings transaction tax.

Background note

16. Schedule 4A Finance Act 2003 provides for the 15 per cent higher rate charge to SDLT. This charge applies to the acquisition of a 'higher threshold interest' by a 'non-natural person' – that is, a company, a partnership with a corporate 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 chargeable consideration of more than £500,000 is attributable. There are a number of reliefs available aimed at genuine business acquisitions which can reduce the charge to the standard rate of stamp duty land tax. Relief is withdrawn if, at any time within the period of 3 years from the date of transaction, the property is held for any purpose other than those for which the relief was given.
17. This measure introduces a new relief which will apply where a purchaser is carrying on a relievable trade and acquires a dwelling for the purposes of either converting the building for use other than as a dwelling, or for permanently demolishing the building to prepare the land for use in the relievable trade. The measure also provides for the relief to be withdrawn if the conditions are not met throughout the period of three years after the property was acquired.
18. 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).