



HM Revenue
& Customs

Stamp duty land tax: changes to the filing and payment process

Consultation document

Publication date: 10 August 2016

Closing date for comments: 7 October 2016

Subject of this consultation:	Proposed changes relating to the stamp duty land tax (SDLT) filing and payment process from 2017-18.
Scope of this consultation:	This consultation seeks views on proposed changes which aim to make SDLT filing and payment faster and easier.
Who should read this:	Providers of conveyancing services, for example, solicitors and licensed conveyancers; professional bodies; individuals and other interested parties.
Duration:	The consultation will run for 8 weeks from 10 August 2016 to 7 October 2016.
Lead officials:	Anne Berriman and Jane Ewart, HM Revenue and Customs.
How to respond or enquire about this consultation:	Written responses and other enquiries regarding this consultation should be submitted by 7 October 2016 either by email to: sdltdigital@hmrc.gsi.gov.uk or by post to: Stamp Taxes Policy Team (SDLT Consultation), HM Revenue and Customs, Area 3C/20, 100 Parliament Street, SW1A 2BQ
Additional ways to be involved:	HMRC welcomes meetings with interested parties to discuss these proposals. Please email sdltdigital@hmrc.gsi.gov.uk or contact Anne Berriman (Tel: 03000 585901) if you would like to discuss your response.
After the consultation:	A response document will be published later this year.
Getting to this stage:	The Government announced at Autumn Statement 2015 that it would consult on these proposals in 2016.
Previous engagement:	Informal consultation with various interested parties has taken place in HMRC's SDLT Working Together Steering Group.

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1. Introduction

Background

- 1.1 Stamp duty land tax (SDLT) was introduced on 1 December 2003, replacing stamp duty on land transactions. It is chargeable on an acquisition of land in England, Wales and Northern Ireland, such as a freehold or leasehold interest. In Scotland, SDLT was replaced by Land and Buildings Transaction Tax from 1 April 2015. In Wales, SDLT will be replaced by Land Transaction Tax from April 2018.
- 1.2 The current processes for filing a SDLT return and paying the SDLT due are effective, but improvements could be made that would increase efficiency, and reduce the compliance burden and costs for both HMRC and our customers.
- 1.3 The Government announced at Autumn Statement 2015 that it will reduce the SDLT filing and payment window from 30 days to 14 days in 2017-18 and consult on changes to the SDLT filing and payment process in 2016.
- 1.4 This document outlines the proposed changes and seeks views on their design and implementation.

The current process

- 1.5 Currently, a purchaser must submit an SDLT return (SDLT 1) to HMRC and pay any SDLT due within 30 days after the effective date of the transaction, usually completion. Depending on the details of the transaction, supplementary forms may also need to be completed and submitted with the return. The supplementary forms are:
 - SDLT 2 (if there are more than two purchasers or more than two vendors);
 - SDLT 3 (if there is more than one property); and
 - SDLT 4 (if it is a complicated lease, the transaction is complex or the property is to be used for commercial purposes).In the vast majority of cases (over 99%), the purchaser's agent, usually a solicitor or licensed conveyancer, will file the return and make the payment from funds held on behalf of their clients.
- 1.6 Agents and organisations, such as local authorities, can file online either using the HMRC online filing service or specialist software provided by an external supplier (generally referred to as "third party software"). Filing online is not mandatory and some agents file on paper. An individual who is not filing through an agent cannot access the HMRC online filing service and will generally file on paper. Such an individual could use third party software to file the return, but this may not be cost effective.

- 1.7 On receipt of a valid return, HMRC issues a certificate (SDLT 5) to the person who filed the return. In England and Wales the SDLT 5 must be sent to the Land Registry in order to register the title in the land to the new owner; in Northern Ireland, the SDLT 5 must be sent to the Land Registry at Land & Property Services (LPS). HMRC does not require payment of the SDLT before issuing the certificate.
- 1.8 Each return is allocated an 11 character unique transaction reference number (UTRN). If filing online, the UTRN appears on the electronic SDLT 5 which is issued as soon as the user submits the return. If filing on paper, the UTRN can be found on Page 2 of the SDLT 1 and on the payslip attached to the return.
- 1.9 HMRC uses information provided in the return for compliance work. Specific data from the return is forwarded to the Valuation Office Agency (VOA) in relation to property in England and Wales and LPS in relation to property in Northern Ireland, in order that they can undertake their functions, such as valuations for business rates or council tax purposes. A purchaser may subsequently be required to send further information directly to the VOA/LPS such as details of leases and subleases that are subsidiary to the interest being purchased.
- 1.10 Although both filing and payment are subject to the same 30 day time limit, there is no requirement for the payment to accompany the return and payment can be made to HMRC after filing. There is currently no capability in the HMRC online filing service to file the return and submit the payment simultaneously. A user of the online service would have to submit the return first and then make the payment using the UTRN generated.
- 1.11 Payment can be made in various ways:
- online or telephone banking through the Faster Payments Service, usually providing same or next day payment;
 - electronic transfers using Clearing House Automated Payment System (CHAPS) – usually same or next day payment;
 - electronic transfers using Bacs Payment Schemes (BACS) –takes up to 3 working days;
 - debit or credit card online – usually same or next day payment;
 - at a bank or building society – depending on method of payment, can take up to 3 working days;
 - at a post office – depending on method of payment, can take up to 3 working days;
 - cheque through the post – takes 3 working days to clear after processing at HMRC.
- 1.12 To ensure the payment is correctly allocated when it arrives at HMRC, it is vital that the payment is sent using the correct UTRN as a reference. If paying electronically, the UTRN must be entered in the appropriate field on the payment mandate.

- 1.13 Currently, 97% of SDLT returns are filed online (about 1.3 million returns annually). About 70% of payments are made electronically, with about 30% (250,000) still received by cheque.

The main issues

- 1.14 Although the number of returns being filed online is high, HMRC continue to receive over 31,000 paper returns each year, entailing delivery costs for customers and significant processing costs to HMRC. Over 40% of these returns contain errors, for example, mandatory questions that have not been answered or the answers that are given do not correspond with information provided elsewhere in the return. These errors need to be put right and this creates cost for HMRC in processing the return and potentially substantial delay for customers in receiving the SDLT 5. Until the SDLT 5 is received, customers cannot complete the conveyancing process.
- 1.15 Presently, about 30% of SDLT payments received are made by cheque (about 250,000 cheques each year). Problems can arise when the cheque is not received within 30 days of the effective date of the transaction, is sent without a correct UTRN or is sent to the wrong address. These scenarios lead to the issue of about 40,000 unnecessary payment demands each year to the lead purchaser (with a copy to the agent) and cost for both HMRC and customers in trying to put the matter right. The most common reasons why customers call the HMRC contact centre about SDLT, are payment related, such as to trace cheques and query payment demands.
- 1.16 HMRC requires a valid SDLT return before issuing the SDLT 5 certificate to the agent for the Land Registry, but there is no requirement for the SDLT to be paid beforehand. Issuing the certificate before receipt of the payment adds to the risk of non-payment.
- 1.17 The HMRC online service for filing the SDLT return is only available to agents and organisations who have registered to use it. As mentioned earlier, individuals who wish to file their own SDLT return (and who are not filing via an agent) will generally have to file on paper.

2. Proposed Changes

Reduction in the SDLT filing and payment window

- 2.1 The Government announced at Autumn Statement 2015 that it will reduce the SDLT filing and payment window from 30 days to 14 days after the effective date of the transaction. Most customers already file the return and make payment well in advance of the 14th day. In cases where the sum payable for a property is contingent or uncertain, customers wishing to apply for deferment of SDLT would have to do this within the 14 days. There are no plans to amend other provisions in the SDLT legislation which contain a 30 day time limit, for example, the requirement to make a return where as a result of new information, a transaction becomes notifiable or additional tax becomes payable.
- 2.2 The change to reduce the filing and payment window will be implemented during the 2017-18 tax year. The exact date of implementation is yet to be confirmed, although it is likely to be between 1 January 2018 and 1 March 2018.

Question 1: Are you aware of any issues that may arise as a result of the reduction in the filing and payment window to 14 days? If so, do you have any suggestions on how they could be overcome?

Other proposals to modernise the SDLT filing and payment process

- 2.3 The Government is also looking at ways to improve the filing and payment process and is considering other proposals for implementation in 2017-18 or later. As the proposals would require digital system changes as well as legislation, implementation during 2017-18 may not be possible. The proposals include:

2.4 *Mandatory online filing for agents*

2.4.1 Currently agents can file online or on paper. Although the vast majority of agents file online, using either the HMRC online filing service or third party software, HMRC receives over 31,000 paper returns each year, entailing significant costs for both customers and HMRC.

2.4.2 Filing online is faster than filing on paper; and the features contained in the online service such as prompts to help answer questions and real time validation checks reduce errors, costs and delays. These features reduce time spent by agents (and costs for purchasers) and mean that the property purchasing process will not be delayed by avoidable errors.

2.4.3 With the above in mind, the proposal is to require agents filing returns on behalf of purchasers, to file online, using either the HMRC online filing service or third party software.

2.4.4 Exemptions would be available where online filing is not reasonably practicable, for example, because of remoteness of location, or on grounds such as religious beliefs. The mandatory online filing provisions for VAT registered businesses include such exemptions.

2.4.5 To support the proposal for mandatory online filing, an option would be for HMRC to reject any paper returns submitted by agents who are required to file online. However, this could lead to delays in a valid return being submitted, the filing deadline being missed and the imposition of late filing penalties on the purchaser. An alternative to drive compliance with mandatory online filing would be for HMRC to impose penalties. Currently, there are penalties for the late filing of a SDLT return and penalties for filing an incorrect SDLT return. A penalty could be imposed for every return filed on paper that should have been filed online.

2.4.6 A separate consultation on penalties in relation to Making Tax Digital will be published shortly. The feedback from that consultation will be taken into account in designing a mandatory electronic filing regime for SDLT.

2.5 *Mandatory electronic payment for agents*

2.5.1 Currently, SDLT can be paid by cheque or electronically in various ways, for example, CHAPS and BACS. Although many customers pay electronically, HMRC receives about 250,000 SDLT payments by cheque each year. Cheques sent without the correct UTRN or sent to the wrong address result in costs and delays for both HMRC and agents in trying to put the matter right. Paying electronically is faster and more secure than sending a cheque.

2.5.2 Therefore the proposal is that in addition to mandatory online filing, agents would also be required to pay any SDLT due electronically. The current electronic payment methods, listed at 1.11 above, would be acceptable.

2.5.3 As with mandatory online filing, exemptions would be available where online payment is not reasonably practicable, for example, because of remoteness of location, or on grounds of religious beliefs. The mandatory electronic payment provisions for VAT registered businesses include such exemptions.

2.5.4 The proposal for mandatory electronic payment would have to be supported by penalties in cases of non-compliance. A penalty could be imposed in circumstances where an agent who is required to pay electronically, fails to do so.

2.5.5 A separate consultation on penalties in relation to Making Tax Digital will be published shortly. The feedback from that consultation will be taken into account in designing a mandatory electronic payment regime for SDLT.

Question 2: Do you have any views on the proposals for mandatory online filing and mandatory electronic payment?

Question 3: What exemptions to mandatory online filing and mandatory electronic payment do you consider would be necessary?

Question 4: What is your view regarding the option for HMRC to reject paper returns in circumstances where agents should have filed online?

Question 5: Do you have any views on how best to drive compliance with mandatory online filing and mandatory electronic payment?

2.6 *Including the facility to allow a user to provide direct debit details on the HMRC online return*

2.6.1 Currently, the HMRC online filing service does not contain the functionality to file the return and pay the SDLT simultaneously. The proposal is to include the facility for users to include direct debit details in the online return. HMRC could only use the direct debit details provided to collect the SDLT due on that return. Including this facility within the online return would help to simplify the filing and payment process.

Question 6: If the HMRC online return was modified to allow a user to input direct debit details, is this an option you might use and why?

2.7 *Issuing the SDLT 5 for the Land Registry after receipt of both the SDLT return and payment of the SDLT due*

2.7.1 Currently, HMRC issues the SDLT 5 following receipt of a valid return. HMRC explored the possibility of issuing the SDLT 5 after receiving both the return and payment, and concluded that it is not possible to do this at present. It would only be possible if the online services for filing the return and making the payment due are linked, enabling HMRC to confirm the payment was made at the time of filing. Currently most electronic payments are made by BACS or CHAPS, directly from the payer's bank account, which can take up to 3 days to clear - issuing the SDLT 5 after payment is received could delay the conveyancing process.

2.8 *Extending the HMRC online filing service to individuals who do not wish to use an agent*

2.8.1 Currently, the HMRC online filing service is only available to agents and organisations such as local authorities. Purchasers who do not wish to file their return through an agent generally have to file on paper. The proposal would provide these purchasers with the option to file online, although they would still be able to file on paper, if they prefer. Although, only a relatively small number of returns are filed by such purchasers, enabling these customers to file online would appear appropriate in an increasingly digital environment.

Question 7: Do you have any views regarding the proposal to give purchasers who are not filing through an agent, access to the HMRC online filing service?

2.9 Further proposals to improve the HMRC online filing service

2.9.1 Issuing the UTRN earlier in the process

2.9.1.1 Each SDLT return is allocated a UTRN. Currently, HMRC issues the UTRN with the SDLT 5 immediately after the online return is submitted.

2.9.1.2 The proposal is for HMRC to issue the UTRN earlier in the process, that is, immediately after the user begins the online filing process by logging on and initiating the process to file a new return. As payments must be sent to HMRC with the correct UTRN, issuing the UTRN earlier would enable users to begin to put in place arrangements to pay at an earlier stage in the process.

2.9.2 Providing details within the SDLT 5 directly to the Land Registry

2.9.2.1 Currently, HMRC issues the SDLT 5 to the person who submitted the return.

2.9.2.2 The proposal is for HMRC to interact directly with the Land Registry with regards to the provision of SDLT 5 data relating to registrable land transactions.

2.9.3 Building in an 'address look up'

2.9.3.1 Currently, the person completing the return must enter the address of the property being acquired in a free text field. The VOA and LPS utilise data in the return, and spend significant resources on matching addresses provided in the return to addresses in the VOA & LPS databases.

2.9.3.2 The unique property reference number (UPRN) (which is already requested in the SDLT return, but is not mandatory) would alleviate the issue regarding address matching. The UPRN is the unique identifier for every addressable location in Great Britain and ensures correct address data is entered when completing online forms. However, it is acknowledged that making the request for the UPRN mandatory would involve additional costs for many customers in obtaining the UPRN data.

2.9.3.3 The proposal is for HMRC to build in an 'address look up' into the online return. These are used by most online shopping sites, requiring the user to input their postcode only and then select their address from a list. An 'address look up' would help a user identify the correct address of the property concerned and improve the customer

experience, whilst improving the quality of data held within government and reducing the burden of address matching. The option to override the 'address look up' and use free text will be available, for example, for new property where a postcode has not yet been issued.

2.9.4 *Building in functionality to amend the SDLT return within 12 months*

2.9.4.1 Currently, the HMRC online filing service allows a user to save data and make amendments for up to 90 days, before the return is submitted. The 90 days starts from the date the user first saves the entries on the return. Once the return is submitted, a user can amend it within 12 months by post or phone.

2.9.4.2 The proposal is for a user to be able to file an online amendment to a return that has been submitted online, within 12 months of submission.

Question 8: Would you find it useful to have the UTRN earlier in the process?

Question 9: Do you have any other comments on the further improvements that are being considered to the HMRC online filing service; and can you identify other areas that could be improved?

Further improvements being considered

2.10 *SDLT 4 data*

Data provided in the SDLT return, particularly the SDLT 4, is used by the VOA for rating purposes. VOA are aware of the concerns expressed, via the SDLT Working Together Steering Group, regarding the data being provided in the SDLT return rather than sent directly to the VOA; and the extent of the data. The VOA have a project underway to review the SDLT forms and will be keeping the SDLT Working Together Steering Group sighted on progress and, in due course, will be sharing the findings which will identify whether any changes are viable.

Aims and objectives

2.11 The proposals aim to make SDLT filing and payment more efficient. Increasing digital engagement would improve customer accuracy and remove errors associated with incorrect completion of manual forms and payments. HMRC expects that this will result in cost savings for both HMRC and customers. Resources at HMRC can be redeployed to other operational activities.

Timing

- 2.12 The proposal to reduce the filing and payment window to 14 days after the effective date of the transaction will be implemented during 2017-18. The other proposals would be implemented during 2017-18 or later, depending on the complexity of the changes required.

3. Assessment of Impacts

Summary of impacts

The proposed changes aim to make SDLT filing and payment faster and easier; and reduce errors often associated with paper based processes. Overall HMRC expects these changes will reduce costs and admin burdens on businesses. However, HMRC acknowledges that in the shorter term, requiring businesses to file online and make electronic payments may increase their costs and admin burdens. HMRC will seek to understand the impact and mitigate as far as possible any adverse costs and impacts.

Question 10: What are the expected one-off and ongoing costs of reducing the filing and payment window to 14 days?

Question 11: What are the expected one-off and ongoing costs if online filing and electronic payments are mandated?

Question 12: Are there any specific impacts for small & micro businesses not covered above?

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	-	-	+£105	+£10	+£10	+£10
	<p>The OBR has certified this costing.</p> <p>The methodology for arriving at these figures is outlined in the Autumn Statement 2015 policy costings document at page 13: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/480565/SRAS2015_policy_costings_amended_page_25.pdf</p> <p>The figures were revised at Budget 2016.</p> <p>The costing relates to the reduction in the SDLT filing and payment window to 14 days, which results in some SDLT receipts being brought forward.</p>					
Economic impact	This measure is not expected to have any significant economic impact.					

Impact on individuals, households and families	<p>This measure is likely to affect fewer than 500 individuals (and households) and the impact on affected individuals (and households) is anticipated to be negligible, as over 99% of SDLT returns and payments are submitted by the purchaser’s agent.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>
Equalities impact	<p>No equalities impacts have been identified.</p>
Impact on businesses and civil society organisations	<p>This measure will impact principally on businesses (mainly licenced conveyancers and solicitors) who act for individuals and companies in submitting SDLT returns and payments on their behalf.</p> <p>Approximately 20,000 agents are involved in the submission of SDLT returns and payments. Businesses may incur one-off costs including familiarisation with the new rules and changes to their IT systems and internal processes.</p> <p>The number of businesses affected and the impacts on them will be explored as part of the consultation.</p> <p>This proposal is expected to have a negligible impact on civil society organisations.</p> <p>Small and micro business assessment: Many of the businesses who undertake conveyancing work are small and micro businesses. The number of businesses affected and the impacts on them will be explored as part of the consultation.</p>
Operational impact (£m) – [HMRC or other]	<p>The cost of the IT changes to support these changes, and other operation costs for HMRC are currently being worked up.</p>
Other impacts	<p>Other impacts have been considered and none has been identified.</p>

4. Consultation Questions

Question 1: Are you aware of any issues that may arise as a result of the reduction in the filing and payment window to 14 days? If so, do you have any suggestions on how they could be overcome?

Question 2: Do you have any views on the proposals for mandatory online filing and mandatory electronic payment?

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Question 10: What are the expected one-off and ongoing costs of reducing the filing and payment window to 14 days?

Question 11: What are the expected one-off and ongoing costs if online filing and electronic payments are mandated?

Question 12: Are there any specific impacts for small & micro businesses not covered above?

5. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best options and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and implementation of the proposals set out in this document.

How to respond

A summary of the questions in this consultation is included at chapter 4.

Responses should be sent by 7 October 2016 by e-mail to sdltdigital@hmrc.gsi.gov.uk or by post to: Stamp Taxes Policy Team (SDLT Consultation), HM Revenue and Customs, Area 3C/20, 100 Parliament Street, SW1A 2BQ.

Telephone enquiries: Anne Berriman 03000 585901 or Jane Ewart 03000 585790 (from a text phone prefix these numbers with 18001)

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC Inside Government](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.