

Clause X: Relief for first-time buyers

Summary

1. This clause introduces a new relief from stamp duty land tax (SDLT) on purchases by first-time buyers of a single residential property (a dwelling) where the price paid is not more than £500,000. No SDLT will be payable on the first £300,000 of the purchase price. 5% will be chargeable on the remainder. The measure applies to transactions with an effective date on or after 22 November 2017.

Details of the clause

2. Subsection 1 amends Part 4 of Finance Act 2003.
3. Subsection 2 inserts new section 57B into Part 4 of Finance Act 2003 which in turn says that new Schedule 6ZA of Finance Act 2003 provides relief from SDLT to “first-time buyers”, and requires the relief be claimed in a land transaction return, or by amending such a return.

New Schedule 6ZA Finance Act 2003

4. Subsection 3 inserts new Schedule 6ZA into Part 4 of Finance Act 2003.

New Schedule 6ZA: Part 1: Eligibility for Relief

5. Sub-paragraphs 1(1) to (6) set out the conditions that must be met to be eligible to claim first-time buyers’ relief:-
 - The first condition is that the subject matter of the transaction consists of a “major interest” in a single dwelling (“the purchased dwelling”).
 - The second condition restricts the relief to instances where the relevant consideration (excluding any rent) does not exceed £500,000 (“relevant consideration” is defined in paragraph 11 of this note).
 - The third condition restricts the relief to a first-time buyer or buyers who intend(s) to occupy the property as their only or main residence.
 - The fourth condition is that the transaction is not linked to any other land transaction, unless that other linked transaction consists of
 - an interest in land which forms part of the garden or grounds of the dwelling; or
 - an interest in, or right over, land subsisting for the benefit of the dwelling or of the gardens or grounds of the dwelling.

6. Sub-paragraph 1(7) precludes a claim to first-time buyers' relief if the transaction attracts the higher rates of SDLT because it is an acquisition by a person who already owns another dwelling for the purposes of the higher rates (per schedule 4ZA of Finance Act 2003).
7. Paragraph 2 sets out the conditions for certain linked transactions to be eligible to first-time buyers' relief. It provides that where the main transaction was eligible for relief, or would have been if it was a chargeable transaction, relief may also be claimed for any transaction linked to the main transaction provided that it consists of an interest as set out in the fourth condition above. The reference here to a main transaction that would have been eligible for relief 'if it was a chargeable transaction' covers transactions that were not chargeable because the consideration was below the SDLT threshold (currently £125,000). But relief is not available if a purchaser in relation to the linked transaction is not a purchaser in relation to the main transaction.
8. Paragraph 3 replicates the effect of first-time buyers' relief for purchases under alternative finance arrangements entered into between a person and financial institution by treating the person rather than the institution as the purchaser.

New Schedule 6ZA: Part 2: The Relief

9. Paragraph 4 says that where first-time buyers' relief is claimed, the ordinary rates of SDLT which apply to residential property are replaced by Table A; namely that the amount of tax chargeable is 0% up to and including £300,000 and 5% on the remainder of the relevant consideration so far as it does not exceed £500,000 ("relevant consideration" is defined at paragraph 11 of this note).
10. Paragraph 5 provides for relief to be withdrawn where a later linked transaction has the effect of making the earlier transaction ineligible for relief. (An example might be where the later transaction takes the relevant consideration above the £500,000 limit, or includes the acquisition of another dwelling.) In these circumstances additional tax becomes payable on the earlier transaction as if the claim had not been made and a further SDLT return must be delivered (as per section 81A of Finance Act 2003).

New Schedule 6ZA: Part 3: Interpretation

11. Paragraph 6 defines a "first-time buyer" as an individual who has not previously purchased a major interest (e.g. a freehold or leasehold interest of 21 years or more) in a dwelling in England, Wales or Northern Ireland, or its equivalent elsewhere in the world. It applies equivalent rules where the individual has previously purchased a property under alternative property finance arrangements, including equivalent arrangements in another jurisdiction.
12. Paragraph 7 defines "relevant consideration" as the chargeable consideration for a single transaction, or the total chargeable consideration for all linked transactions.
13. Paragraph 8 excludes from the meaning of "major interest" a lease which has less than 21 years to run from the day after the effective date of the transaction.
14. Sub-paragraphs 9(1) to (4) set out what counts as a dwelling, which is
 - a building or part of a building which is used or suitable for use as a

dwelling, or is in the process of being constructed or adapted for such use;

- land that is to be occupied or enjoyed with the dwelling as garden or grounds, including any structures on that land;
- land that subsists, or is to subsist, for the benefit of the dwelling.

15. Sub-paragraphs 9(5) and (6) expand the definition of a dwelling set out above to include a building that is to be constructed or adapted for use as a single dwelling. In these circumstances relief is available where a contract to acquire such a property (once it is built) is substantially performed at a time when the building works have not yet begun.
16. Sub-paragraphs 9(7) and (8) exclude from the meaning of 'dwelling' a building, or part of a building, used for the purposes specified in section 116(2) or (3) of Finance Act 2003 (e.g. residential accommodation used for school pupils, students or members of the armed forces).

Subsections (4) to (8)

17. Subsection (4) inserts new subsection (7) into section 110 of Finance Act 2003 (approval of regulations under general power) and provides that regulations made by the Treasury to vary these new provisions which do not increase any person's liability to tax are subject to the negative resolution procedure.
18. Subsection (5) inserts new paragraph 16 into schedule 9 of Finance Act 2003 (right to buy, shared ownership leases etc.) and provides that a claim to first-time buyers' relief is available for purchases under a shared ownership lease or shared ownership trust only where the purchaser elects to pay SDLT on the full market value in a one-off payment up-front.
19. Subsection (6) repeals the previous expired provisions relating to first-time buyers' relief which applied for a time-limited period to transactions where the effective date of the transaction was on or after 25 March 2010 but before 25 March 2012.
20. Subsection (7) makes consequential amendments to Schedule 2 to the Wales Act 2014 in relation to the definition of a "first-time buyer" in new paragraph 6 of Schedule 6ZA. Someone will not be a first time buyer if they have previously been a purchaser in relation to a major interest in a dwelling situated in Wales.
21. Subsection (8) provides that these changes have effect for any land transactions where the effective date is on or after 22 November 2017.

Background note

22. Stamp Duty Land Tax (SDLT) is a tax on purchases of land in England, Wales and Northern Ireland. SDLT is expected to be devolved to Wales with effect from 1 April 2018. SDLT was devolved to Scotland in April 2015.
23. There are two main charging regimes within SDLT: one for transactions in residential

property; the other for transactions involving non-residential and mixed use property (e.g. commercial property transactions).

24. Purchasers are charged at a percentage of the consideration they pay for an interest in land (e.g. the price paid for the property).
25. The standard rates of SDLT for all residential property transactions are as follows:

Relevant consideration	Percentage
Up to £125,000	0%
More than £125,000 and up to £250,000	1%
More than £250,000 and up to £500,000	4%
More than £500,000 and up to £925,000	5%
More than £925,000 and up to £1,500,000	10%
The remainder	12%

26. An additional rate of 3% applies on top of the above rates to acquisitions by any person who already owns another residential property.
27. This clause introduces a new relief from the standard residential rates of SDLT for individuals who are purchasing their first property as their main or only residence for a consideration (e.g. purchase price) of up to £500,000.
28. The new rates that will apply to these transactions are as follows: -

Relevant consideration	Percentage
Up to and including £300,000	0%
Any remainder (so far as not exceeding £500,000)	5%

29. These revised rates will be available to first-time buyers for transactions with an effective date (which is usually the date of completion) on or after 22 November 2017.
30. All claims to first-time buyers' relief must be made in a land transaction return.