

FOR INTERMEDIARY USE ONLY

A guide to Stamp Duty Land Tax (SDLT)

This guide provides an overview of SDLT for additional residential properties in England and Northern Ireland



Building Society

From 1 April 2016, the SDLT applicable on properties in England and Northern Ireland increased by 3% on most purchases of additional residential properties such as second homes or Buy to Lets over £40,000.

Please note that this guide doesn't cover SDLT for first time buyers. If you are a first time buyer, an exemption to SDLT may apply.

SDLT rates for existing residential property owners are:

Property value	Standard SDLT rate	SDLT rates for additional properties
Up to £125,000 (excluding purchases below £40,000)	0%	3%
£125,001-£250,000	2%	5%
£250,001-£925,000	5%	8%
£925,001-£1.5m	10%	13%
Over £1.5m	12%	15%

Who has to pay the higher rate of SDLT?

As a general rule of thumb, if your client is selling their main residence to purchase another main residence and both transactions complete on the same day, the higher SDLT rate won't apply. But if at the end of the day of the transaction, your client owns two or more properties, the higher rate of SDLT may apply.

To help you understand how this affects your client, we've created examples of a few more complex scenarios on the back of this guide.

What does this mean for my client?

The table below shows how the changes from 1 April 2016 could impact an additional residential purchase in England and Northern Ireland, depending on the purchase price:

Purchase price	SDLT pre 1 April 2016	SDLT post 1 April 2016	Change
£75,000	£0	£2,250	£2,250
£150,000	£500	£5,000	£4,500
£200,000	£1,500	£7,500	£6,000
£350,000	£7,500	£18,000	£10,500
£500,000	£15,000	£30,000	£15,000

Does this affect Scotland and Wales?

In Scotland, the Land and Buildings Transaction Tax (LBTT) replaced SDLT in 2015. LBTT rates also have the 3% surcharge on additional residential properties. This surcharge isn't covered in this guide. For more information visit www.revenue.scot

In Wales, these rules applied from 1 April 2016 to 31 March 2018. From 1 April 2018 Land Transaction Tax (LTT) replaced SDLT. LTT rates also have the 3% surcharge on additional residential properties. This surcharge isn't covered in this guide. For more information visit

<https://beta.gov.wales/welsh-revenue-authority>

The higher rate of SDLT applies if your client is...

Adding a new Buy to Let (BTL) property to their existing portfolio.

As the purchase is for an additional property, the higher rate applies. The higher rate also applies if your client sells one investment property to purchase another.

Buying a first home which will be their main residence, but already jointly owns an inherited property that's let out.

As the new purchase is in addition to the jointly owned rental property and no existing main residence is being sold, the higher rate applies. However, if your client only inherited a small share in the property, which never exceeded 50%, in the three years before purchasing their first home, the higher rate doesn't apply.

Buying a new main residence but the sale of their current property falls through.

As the sale and purchase won't take place on the same day, the higher rate applies on the new property. If the sale of the current property takes place within 3 years, a refund of the additional SDLT charge can be claimed back.

Buying their first home but due to affordability constraints is putting a parent on the mortgage who already owns their own home.

As the parent already owns another property, the higher rate will apply. If the parent is only on the mortgage as a guarantor, the higher rate doesn't apply.

Purchasing a new main residence in the UK, but already owns a property abroad which they intend to keep.

As your client isn't selling their existing property before purchasing the next, the higher rate applies. The higher rate is applicable if your client already owns a property anywhere in the world.

Purchasing a new main residence and turning their existing property into a BTL (Let to Buy).

As your client is not selling their existing main residence when buying another, the higher rate applies on their new home.

The higher rate of SDLT doesn't apply if your client is...

Selling their main residence to purchase a new main residence, but also owns several BTL properties.

As long as the transaction takes place at the same time, the higher rate doesn't apply. Existing investment properties in the background do not make the higher rate applicable, regardless of how many your client already owns.

Unmarried and currently lives in property their partner solely owns, but wants to purchase their own BTL property.

As the couple aren't married, the higher rate doesn't apply if the purchase will be the only property owned by your client.

Living in rented accommodation, owns one BTL property and sells it to purchase another.

As your client will only own one BTL property if the transactions take place simultaneously, the higher rate doesn't apply regardless of the intention to let it.

Separated from a spouse who owns their former marital home, but now wishes to purchase their own property.

As married couples are treated as one unit for tax purposes, the higher rate normally applies if either party owns a property. However if your client is living separately from their spouse, in circumstances that are likely to become permanent, the higher rate doesn't apply.

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At the time of printing, all information was correct.

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