

Residential Property - SDLT relief on multiple purchases

The Finance Bill 2011, if given Royal Assent (which is expected this month (Jul 2011)), will give property investors a potentially huge saving.

Currently, even where the average value of properties is relatively low, a purchaser who acquires a property portfolio will be liable to SDLT at the rate determined by the aggregated chargeable consideration.

For example, the 4% rate of SDLT will apply to a single or linked purchase of three properties where the respective chargeable consideration is £125,000, £230,000 and £240,000.

In contrast, had the purchaser acquired the properties individually and not in a single transaction or series of linked transactions, no SDLT would be due on the cheapest of these properties and the other two would be liable to SDLT at 1%. The actual amount of SDLT due would be £23,800, compared with tax of £4,700 if the acquisitions were not linked or part of the same transaction. The rate of SDLT that applies to the acquisition of multiple dwellings in a single transaction or linked transactions is the rate of SDLT that would apply to a single transaction where the consideration is the aggregated consideration.

The relief will operate by establishing a revised rate of SDLT chargeable on each dwelling by reference to the mean consideration, that is, the aggregate consideration attributable to the dwellings divided by the number of dwellings.

Example

Therefore, if B buys three residential properties from S each for a price of £200,000, B will pay SDLT on each property at the rate of 1% instead of 4%, thus reducing the amount of SDLT chargeable compared with where the relief is not claimed. The minimum rate of SDLT will be 1%.

Under the new relief, a buyer could save £22,800.

A purchase of six or more dwellings in a single transaction is currently treated as a non-residential transaction for SDLT purposes so that the rates of SDLT for non-

residential property apply. However, for the purposes of the new relief, section 116(7) of the Finance Act 2003 is disapplied so that this new relief will also be available for purchases of six or more dwellings.

The relief will also apply to "off-plan" purchases where a contract is substantially performed before construction of the dwellings begins.

The new relief is intended to apply both to transactions between the same seller and buyer and to linked transactions.

Therefore, if B acquires a single dwelling from S and this is linked to B's acquisition of a single dwelling from S's subsidiary company, the relief can apply.

The relief is aimed at boosting the private rental sector by reducing the amount of SDLT payable on multiple residential purchases so that the amount of SDLT due is closer to that on singly purchased properties.

Contacts

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