



Surprise changes to SDLT on commercial property in 2016 Budget

In a surprise move in this year's Budget, Chancellor George Osborne announced major changes to stamp duty land tax (SDLT) in relation to commercial property.

The main new rule relates to purchases of non-residential property that complete after 17 March 2016. Rather than SDLT being paid at one rate on the whole value of the property, SDLT will be payable on the amount of consideration that falls within new SDLT bands.

The new rates for freehold transactions, lease premiums and assigned leases are as follows:

Chargeable Consideration	Rate from 17 March 2017
Up to £150,000	0%
Over £150,000 and up to £250,000	2%
Over £250,000	5%

For example, the purchase of a non-residential property of £350,000 would be calculated as follows:

SDLT charge	Amount
0% up to £150,000	£0
2% on the next £100,000	£2,000
5% on the next £100,000	£5,000
Total SDLT payable	£7,000

Under the old rules the SDLT would have been charged at 3% of £350,000 = £10,500.

For purchases up to £1,050,000, less SDLT will be payable under the new rules; above this sum, more SDLT will be payable.

There are transitional rules in relation to contracts exchanged before midnight on 16 March 2016 but not completed until on or after 17 March 2016. Purchasers can choose whether to apply the old or new rules (provided no events such as the variation or assignment of the contract has taken place before completion).

Leasehold transactions

From 17 March 2016, there is a new 2% rate for rent paid under leases where the net present value (NPV) is above £5m.

SDLT for additional residential properties

As announced by the government in the Autumn Statement 2015, higher rates of SDLT will be payable on the purchase of buy-to-let properties or second homes after 1 April 2016. These purchases (over £40,000) will attract an SDLT surcharge of 3% on the existing SDLT rates.

Relief is available if a purchaser is replacing their main residence. The grace period in which to claim relief has been extended to 36 months from the proposed 18 months thus allowing people with two properties more time to dispose of one of their properties.

The table below sets out the SDLT rates for residential property and additional property SDLT rates. SDLT is payable on the amount of the purchase price that falls within the bands. For example, on a house bought for £300,000 (which is not a second home) the SDLT payable is £5,000 – (0% of £125,000 (£0) plus 2% of £125,000 (£2,500) plus 5% of £50,000 (£2,500) equals £5,000). If the house is a second home, an additional 3% is payable on each band.

Threshold	Existing SDLT rates	New SDLT rates for investment or second homes
£0 – £125,000	0%	3%
£125,000 – £250,000	2%	5%
£250,000 – £925,000	5%	8%
£925,000 – £1.5m	10%	13%
£1.5m +	12%	15%

If you have any queries in relation to SDLT on your property acquisition, please contact Paul Craig at Paul.Craig@bracherrawlins.co.uk or Leigh Rawlins at Leigh.Rawlins@bracherrawlins.co.uk.