

*These notes refer to the Stamp Duty Land Tax Act 2015  
(c.1) which received Royal Assent on 12 February 2015*

# STAMP DUTY LAND TAX ACT 2015

## EXPLANATORY NOTES

### BACKGROUND

#### *Stamp Duty Land Tax Legislation*

4. The legislation relating to Stamp Duty Land Tax is set out in Part 4 of Finance Act 2003 and came into force on 1 December 2003.
5. Stamp Duty Land Tax (SDLT) is a transaction tax which applies to acquisitions of an interest (usually a freehold or a leasehold interest) in land in the United Kingdom. The purchaser (that is, the person acquiring the interest) is liable to pay the tax.
6. SDLT is charged at a rate which corresponds with a percentage of the “chargeable consideration” for the transaction (which is usually the purchase price for the property). Where transactions are “linked” for SDLT purpose (that is, where they form part of a scheme, arrangement or series of transactions between the same vendor and purchaser or persons connected with them) then the rate of tax is that which applies to the aggregate consideration for the transactions.
7. There are separate tables of rates for acquisitions of residential and non-residential property (which includes mixed residential and non-residential property).

<i>Residential Property(from 22 March 2012)</i>		<i>Non-residential property</i>	
<i>Purchase Price</i>	<i>Rate</i>	<i>Purchase price</i>	<i>Rate</i>
£0-£125,000	0%	£0-£150,000	0%
£125,001-£250,000	1%	£150,001-£250,000	1%
£250,001-£500,000	3%	£250,001-£500,000	3%
£500,001-£1,000,000	4%	Over £500,000	4%
£1,000,001- £2,000,000	5%		
Over £2,000,000	7%		

8. An alternative 15% higher rate charge applies to certain acquisitions of dwellings for more than £500,000 by a company, a partnership including a company or a collective investment scheme.
9. A separate SDLT charge applies on the grant of a new lease, on the net present value (NPV) of the rent payable over the term of the lease. This is charged at 1% of the excess of NPV over £125,000 (residential property) or £150,000 (non-residential property).

#### *Background to the changes*

10. The Government announced at Autumn Statement 2014 proposals to change the basis of calculation for SDLT on residential property transactions where the effective date

*These notes refer to the Stamp Duty Land Tax Act 2015  
(c.1) which received Royal Assent on 12 February 2015*

(usually the date of completion) is on or after 4 December 2014. Non-residential property transactions, the 15% higher rate charge and the charge on rent are not affected.

11. The changes introduced by the Act eliminate the “cliff edge” increases in SDLT liability which occurred under the old rules as prices rose above a rate threshold and the resulting pricing distortions around these thresholds.
12. Under the changes, rather than charging a single rate of tax on a transaction, each rate of tax is payable on the portion of the chargeable consideration which falls within the relevant band. The rates and bands have been adjusted to take account of the change.

<i>Residential Property(from 4 December 2014)</i>	
<i>Part of relevant consideration</i>	<i>Rate</i>
So much as does not exceed £125,000	0%
So much as exceeds £125,000 but does not exceed £250,000	2%
So much as exceeds £250,000 but does not exceed £925,000	5%
So much as exceeds £925,000 but does not exceed £1,500,000	10%
The remainder (if any)	12%

13. Purchasers of residential property for £937,500 or less will pay the same or, in most cases, less tax than they would have paid under the old rules. Purchasers of residential property between £1m and £1.125m will also pay less tax. Purchasers of residential property for between £937,500 and £1m and above £1.125m will in most cases pay more.
14. The changes took effect by a Resolution passed by the House of Commons under section 5 Provisional Collection of Taxes Act 1968 on 3 December 2014 followed by a Resolution passed by the House of Commons under section 1 of that Act on 4 December 2014. This Act was introduced into the House of Commons on 4 December 2014. No prior announcement was made, and no draft issued for consultation, to prevent forestalling by purchasers and any resulting disruption of the housing market.