

STAMP DUTY LAND TAX (TEMPORARY RELIEF) ACT 2020

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Act 2020 (c. 15) which received Royal Assent on 22nd July 2020.

- These Explanatory Notes have been prepared by HM Revenue & Customs in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act will mean in practice; provide background information on the development of policy; and provide additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

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Overview of the Act

- 1 This Act temporarily increases the amount that a purchaser can pay for residential property before they pay Stamp Duty Land Tax (SDLT). It means that all individual purchasers of residential property who complete or substantially perform their purchase between 8 July 2020 and 31 March 2021 will pay less or no SDLT.

Policy background

- 2 As a result of the coronavirus (COVID-19) lockdown, the housing market was largely put on hold between 26 March and 13 May, and since then there has continued to be reduced activity in the UK housing market when compared with the period before lockdown.
- 3 This measure was announced by the Chancellor on 8 July 2020.
- 4 No consultation has been held as this is a temporary change which is wholly relieving.

Legal background

- 5 The legislation relating to Stamp Duty Land Tax is set out in Part 4 of the Finance Act 2003 and came into force on 1 December 2003.
- 6 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 England and Northern Ireland. The purchaser (that is, the person acquiring the interest) is liable to pay the tax.
- 7 SDLT is charged on the “chargeable consideration” for the transaction (which is usually the purchase price for the property). Where transactions are “linked” for SDLT purposes (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) tax is charged on the aggregate consideration for the transactions.
- 8 There are separate tables of rates for acquisitions of residential and non-residential property (which includes mixed residential and non-residential property), and residential property subject to the ‘higher rates’.
- 9 Where payment for property takes the form of rent and a separate SDLT charge applies on the grant of a new lease, a further table taxes the net present value (NPV) of the rent payable over the term of the lease.
- 10 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.

Territorial extent and application

- 11 The extent of an Act can be different from its application. Extent is about the jurisdictions in which the Act forms part of the law. Application is about where an Act produces a practical effect. The provisions in the Act extend to England and Wales (as one legal jurisdiction) and Northern Ireland. The provisions in the Act apply to England and Northern Ireland only. The National Assembly for Wales was given legislative competence to introduce its own equivalent to SDLT by the Wales Act 2014 and has enacted the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. The Scottish Parliament was given legislative competence to introduce its own equivalent to SDLT by section 80I of the Scotland Act 1998 and has enacted the Land and Building Transaction Tax (Scotland) Act 2013.

These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Act 2020 (c. 15) which received Royal Assent on 22nd July 2020.

Commentary on provisions of Act

Section 1: Reduced rates of SDLT on residential property for a temporary period

- 12 Section 1(1) provides for modification as follows of Part 4 of the Finance Act 2003 as it applies to residential land transactions with effective dates between 8 July 2020 and 31 March 2021.
- 13 Section 1(2) substitutes the table below for the existing “Table A: Residential” mentioned in section 55(1B) of Part 4 where the purchase is not liable to the ‘higher rates’ –

Relevant consideration	Percentage
So much as does not exceed £500,000	0%
So much as exceeds £500,000 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%

- 14 Section 1(3) substitutes the table below for the existing “Table A: Residential” mentioned in paragraph 1(2) of Schedule 4ZA in Part 4 whereby a purchase is liable to the ‘higher rates’ –

Relevant consideration	Percentage
So much as does not exceed £500,000	3%
So much as exceeds £500,000 but does not exceed £925,000	8%
So much as exceeds £925,000 but does not exceed £1,500,000	13%
The remainder (if any)	15%

- 15 Section 1(4) substitutes the table below for the existing “Table A: Residential” mentioned in paragraph 2(3) of Schedule 5 in Part 4 where taxable rent is given for the purchase –

Rate bands	Percentage
£0 to £500,000	0%
Over £500,000	1%

- 16 Section 1(5) makes provision to disregard section 57B and Schedule 6ZA of the Finance Act 2003 (affecting First Time Buyers) in the temporary relief period.

- 17 Section 1(6) amends the effect of section 44 of the Finance Act 2003 so that no additional tax will be due by virtue of section 44 when a contract is completed after the temporary relief period has ended following substantial performance within the temporary relief period provided that the only reason for additional tax becoming due is that completion has occurred after the end of the temporary relief period.
- 18 Section 1(7) makes provision to ensure that the terms ‘completion’, ‘contract’ and ‘conveyance’ as used in subsection (6) have the meanings given to them by section 44(10) of the Finance Act 2003.

Section 2: Short title

- 19 Section 2 provides that the Act may be cited as the Stamp Duty Land Tax (Temporary Relief) Act 2020.

Commencement

- 20 The Act came into force on Royal Assent on 22 July 2020 but applies in relation to transactions with an effective date on and after 8 July 2020. As a result of the resolutions passed by the House of Commons under the Provisional Collection of Taxes Act 1968, the Act’s provisions have effectively been in force since 8 July 2020.

Related documents

- 21 The following documents are relevant to the Act and can be read at the stated locations:
 - HM Revenue & Customs tax information and impact note
<https://www.gov.uk/government/publications/temporary-increase-to-stamp-duty-land-tax-nil-rate-band-for-residential-properties>

Annex - Hansard References

22 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Resolution under section 5 of the Provisional Collection of Taxes Act 1968	8 July 2020	Vol. 678 Col. 1016 - 1017
Resolution under section 1 of the Provisional Collection of Taxes Act 1968	13 July 2020	Vol. 678 Col. 1289 - 1290
Introduction Text of Bill as introduced	13 July 2020	Vol. 678 Col. 1290
Second Reading	13 July 2020	Vol. 678 Col. 1291
Public Bill Committee	13 July 2020	Vol. 678 Col. 1338
Report and Third Reading	13 July 2020	Vol. 678 Col. 1342
<i>House of Lords</i>		
Introduction Text of Bill as brought from the Commons	13 July 2020	Vol. 804 Col. 1528
Second Reading	17 July 2020	Vol. 804 Col. 1916
Report	17 July 2020	Vol. 804 Col. 1916
Third Reading	17 July 2020	Vol. 804 Col. 1916
Royal Assent	22 July 2020	House of Commons Vol. 678 Col. 2168
		House of Lords Vol. 804 Col. 2201

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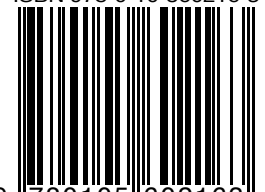
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