

STAMP DUTY LAND TAX (SDLT) - DEVELOPER



WHAT IS STAMP DUTY LAND TAX?

Stamp Duty Land Tax is charged by applying a range of percentages to slices of the chargeable consideration for the transaction.

Every year thousands of people overpay their Stamp Duty Land Tax on residential and commercial purchases, through misclassification of their property or simple lack of awareness of the numerous exemptions and reliefs which exist in a labyrinthine tax system.

As a rule, if the land consists entirely of a residential property and the purchaser is an individual and the transaction is on or after 1st April 2016 then the percentages in the standard residential rate section are applied. If the purchaser is purchasing an additional dwelling, then 3% loading percentages apply.



AMOUNT OF TAX CHARGEABLE:

| Purchase Price Bands | Basic Residential SDLT rates % | Higher Rate Transactions SDLT rates % |
|-----------------------------------|--------------------------------|---------------------------------------|
| Up to 125,000 | 0 | 3 |
| Above 125,000 and up to 250,000 | 2 | 5 |
| Above 250,000 and up to 925,000 | 5 | 8 |
| Above 925,000 and up to 1,500,000 | 10 | 13 |
| Above 1,500,000+ | 12 | 15 |

NON-RESIDENTIAL OR MIXED-USE RATES:

| Purchase Price Bands | Percentage Rate (%) |
|---------------------------------|---------------------|
| Up to 150,000 | 0 |
| Above 150,000 and up to 250,000 | 2 |
| Above 250,000+ | 5 |



WHY DOES SDLT OVERPAYMENT OCCUR?

HMRC's Stamp Duty Land Tax calculator is only supposed to be a guide figure, it currently does not consider the most basic of calculations, such as the purchase of mixed-use land, least of all when it comes to the high level of transactions that just are not clear-cut.

For many solicitors, mortgage advisors and individuals HMRC's calculator this is the main tool used to calculate SDLT rates. Here lies the problem.

This unrealistic expectancy of solicitors to be both property experts and tax experts at the same time could continue to leave homeowners overpaying their Stamp Duty, it's no wonder why 1 in 4 calculation are currently done incorrectly.

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WHAT COULD I RECOVER?

Amounts can vary dependent upon the property type and tax paid to HMRC. It is common for standard rates to be applied due to the calculation complexity that often lead to an over-payment of tax. In some cases, it's possible to achieve up to 80% reduction in Stamp Duty costs.

HOW DO I KNOW IF MY PROPERTY WOULD QUALIFY?

When you are about to purchase a property there are some key features to look out for, such as:

- ① Are you purchasing land with the benefit of a planning permission allowing the development and construction of residential housing or units?
- ② Are you purchasing an office building with permitted development rights for conversion for residential housing or units?
- ③ Are you purchasing commercial property together with residential units or mixed-use land?

In addition, there are also some key words to look out for:

- ✓ Commercial use – gym, shops, retail, offices, bike stores etc.
- ✓ Substations or water pumps
- ✓ Public footpaths
- ✓ Live and work urban developments
- ✓ Communal gardens or public open space
- ✓ Forestry, woodland or agricultural land
- ✓ Car parks
- ✓ Option agreement



POST COMPLETION CASE STUDY

Our Client, a Birmingham Developer was introduced to us regarding an upcoming transaction however we were able to review their previous developments over the past four years, of which this was one.

This Developer had purchased an office block in 2017 in the Birmingham area for £3,680,000. They had already paid £173,500 SDLT. He had approved planning permission in place prior to completion to convert the office block into 48 residential units.

After a full site analysis, we found that the developer was due a rebate of £63,100 so we prepared a report to send to HMRC on our client's behalf.

Upon review HMRC sent a cheque in the post confirming that our calculations were correct!

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PRE COMPLETION DEVELOPER CASE STUDY

A Birmingham based developer was purchasing an office block with planning permission in place to build 220 residential apartments and office space for a purchase price of £6,500,000.

Our client was originally quoted for their SDLT liability at £314,500, however after review we were able to confirm that the correct SDLT Rate payable was £69,707 saving our client £244,793 in upfront costs.

WHAT SERVICES ARE OFFERED?

1. Pre completion advice on upcoming property transactions

For pre completion cases we forensically analyse your transaction prior to exchange of contracts. We can review all elements and ensure that you are paying the correct rates of SDLT upfront.

2. Post completion, review of historical property transactions to ensure correct SDLT payment was made.

If it's too late and you have already exchanged/completed on your purchase, we can review property transactions spanning back up to four years. We will conduct a forensic review and if your SDLT has been calculated incorrectly then we will write to HMRC on your behalf and request a refund directly.

3. Advice on how to restructure your property portfolios including IHT and CGT advice.

Knowing how much Capital Gains Tax you may have to pay or how to structure your property portfolio to maximise profit from a tax perspective can be difficult. We can review your property portfolio and provide advice on how to achieve maximum savings.



WHAT ELSE CAN WE OFFER?



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PROPERTY INCORPORATION

Property Incorporation is the process of transferring interest in a property from a single name or partnership into a limited company, by assessing your property portfolio we can help to structure these correctly which can potentially result in significant tax savings.



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Business

RESEARCH AND DEVELOPMENT RELIEF

Research and Development (R&D) Relief is a UK government scheme set up to reward businesses that invest in innovation. 20% of eligible companies currently claim this relief, we work with companies to identify R&D activity and submit successful claims with a 100% success rate.

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