

STAMP DUTY LAND TAX (SDLT) - INVESTOR



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 calculations 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?

As an investor acquiring buy-to-let property you would normally be subject to higher rate transactional tax, or 3% Loading.

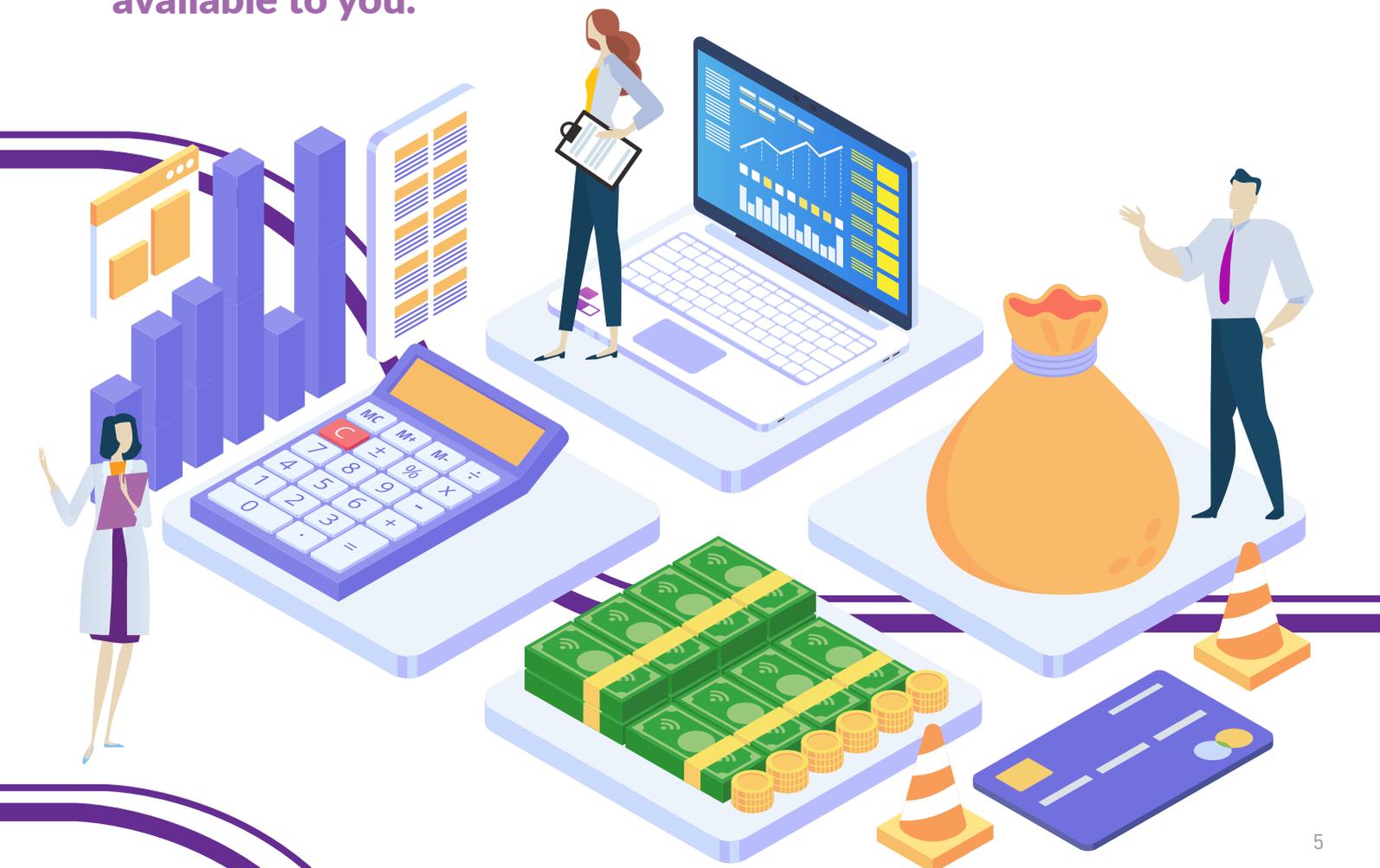
Who pays the additional 3%?

- ✓ Companies buying a Residential Property
- ✓ Individuals buying a new property that are NOT replacing their main residence
- ✓ Investors / buy-to-let purchasers

If you are subject to 3% loading, then dependant on the way you purchase your property there may be reliefs available to you.

Who is exempt?

- ✓ Any Buyer (individual or company) buying commercial land or mixed-use land
- ✓ Any transaction that is less than £40,000
- ✓ An individual that owns any number of properties, but this purchase will be their new main residence
- ✓ First time buyers
- ✓ Purchases that are subject to the 15% loading



CASE STUDY

Our client was purchasing an investment property for £525,000. He was originally quoted to pay £32,000 in SDLT. Based on the way he was purchasing the property after review we found that the correct SDLT liability was £15,750.

We were able to save this client £16,250 in SDLT by ensuring they paid the correct rates up front.





WHAT SERVICES WE 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?



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.



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.

MULTIPLE SOLUTIONS UNDER ONE ROOF

Innovation 4 Business are proud to be part of the Finance 4 Business group. This enables us to offer vertically integrated solutions across multiple specialist areas.



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