

Stamp Duty Land Tax

First Time Buyers Relief : And how this affects Shared Ownership

No doubt you will have seen the headline grabbing announcement in the Chancellor's Autumn Budget 2017 that Stamp Duty Land Tax ("SDLT") has been abolished for many first time buyers. In this note we look at what this actually means for buyers.

The Government have announced that from 22 November 2017 first time buyers paying £300,000 or less for a residential property will pay no SDLT.

First time buyers paying between £300,000 and £500,000 will pay SDLT at 5% on the amount of the purchase price in excess of £300,000, a reduction of £5,000 compared to the amount of SDLT they would have previously paid. Worked examples of this are shown below:

First time buyer purchasing a property at £300,000

SDLT payable:

0% on the first £125,000 = £0
 2 % on next £125,000 = £2500
 5% on the next £50,000 = £2500
 Total SDLT Payable = £5000

First Time Buyer Relief Granted on the total due as price is £300,000 or less

Total SDLT Payable - £0.00

First time buyer purchasing a property at £500,000

SDLT payable:

0% on the first £125,000 = £0
 2 % on next £125,000 = £2500

5% on the next £250,000 = £12,500
 Total SDLT Payable = £15,000

First Time Buyer Relief applied on the first £300,000 as follows:

0% on the first £125,000 = £0
 0 % on next £125,000 = £0
 0% on the next £50,000 = £0
 5% on the next £200,000 = £10,000

Total SDLT Payable = £10,000

First time buyers purchasing a property for more than £500,000 will not be entitled to any relief and will pay SDLT at the normal rates as follows:

Property or lease premium or transfer value	SDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 mil)	10%
The remaining amount (the portion above £1.5 mil)	12%

It is also worth noting that a first time buyer is defined as an individual or individuals who have never owned an interest in a residential property in the United Kingdom or anywhere else in the world and who intends to occupy the property as their main residence. This means this only applies to true first time buyers. In a scenario with joint

buyers even if one is a first time buyer but the other owned a property, for example 10 years previously, they would not be able to claim First Time Buyers Relief.

Shared Ownership

So, what does this mean for the shared ownership buyer where SDLT rules are already rather complicated?

Whilst this note will not explain SDLT on shared ownership in detail those who are familiar with shared ownership will know that SDLT can be paid in one of two ways:

- A Full Market Value Election : where the buyer elects to pay SDLT on the full market value of the property based on the standard residential rates of SDLT and the rent payable.
- Payment in Stages : where the buyer pays SDLT based on the current premium i.e. the price of the share they are acquiring and the rent payable and then pays further SDLT on the transaction which takes them over 80% ownership (and any further transaction up to 100% ownership)

Further details explaining SDLT on shared ownership purchases can be found on the Government's own shared ownership SDLT page at the following link:

<https://www.gov.uk/guidance/sdl-t-shared-ownership-property#paying-sdl-t-in-stages-and-buying-further-shares>

The Government have drafted a New Schedule 6ZA to the Finance Act 2003 in respect of First Time Buyers Relief and Subsection (5) of this Schedule inserts a new paragraph 16 into schedule 9 of the Finance Act 2003 (right to buy, shared ownership leases etc.) and provides that a claim to First Time Buyers Relief is available for purchases under a shared ownership lease or shared ownership trust only where the purchaser elects to pay SDLT on the full market value in a one-off payment up-front.

Accordingly, First Time Buyers relief can only be claimed by a shared ownership buyer for shared ownership properties which have a full market value of £500,000 or less **and** where a full market value election is being made.

There is no relief for a shared ownership buyer who elects to pay SDLT in stages.

It is also worth noting that a shared ownership buyer may not automatically be a First Time Buyer as this is not part of the eligibility criteria for shared ownership.

We expect the result of these changes will mean many more buyers of shared ownership properties will opt to make full market value election for purchases where the full market value is up to £500,000 and certainly for properties with a full market value of less than £300,000 which will result in no SDLT being due (other than any SDLT due on the Rent payable).

Shared ownership buyers should be careful to ensure they seek and understand advice from their conveyancer when deciding whether to make a market value election or pay in stages and taking into account the new First Time Buyers Relief.

Whilst this First Time Buyers Relief will be welcome news to many first time buyers it has further complicated SDLT, particularly in respect of shared ownership sales.

If you would like to discuss the implications in more detail then please do not hesitate to contact us.

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