

# Deciphering discounts and interpreting incentives

In these times of economic instability, it is now commonplace for developers to offer buyers discounts and incentives when purchasing a property. But what exactly is a discount and how does it differ from an incentive?

## WHAT IS A DISCOUNT?

H.M. Land Registry regards a cash sum deducted from the purchase price to be a discount. This could be in the form of cash-back, a gifted deposit/equity or any equity discount. Essentially, if a purchaser is receiving money of some kind (which is less than the purchase price), the difference between this amount and the sale price of the property is classed as a discount.

The net/lower sum is what H.M. Land Registry will regard as the true consideration of the price paid and this is the amount that will be recorded in the Official Copy Entries once the sale has been registered.

## WHAT IS AN INCENTIVE?

An incentive on the other hand, is something that does not affect the purchase price of a property. This could be in the form of a furniture pack, specification upgrade, assistance with moving costs or a contribution towards a purchaser's legal fees or stamp duty.

H.M. Land Registry will disregard any of these incentives when registering a sale and will show the (gross) sale price in the Official Copy Entries.

When selling properties, developers should be aware of the distinction between discounts and incentives. Incentives can hide the true value of a property, even if H.M. Land Registry does not take them into account on registration. Discounts could affect sale price comparables as prices recorded by H.M. Land Registry will be the discounted price. Deciding what to offer purchasers will ultimately influence what is shown on the title documentation following completion.

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Please do not hesitate to contact us if you would like to discuss further.



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This briefing note is not intended to be an exhaustive statement of the law and should not be relied on as legal advice to be applied to any particular set of circumstances. Instead, it is intended to act as a brief introductory view of some of the legal considerations relevant to the subject in question.