

CLIENT GUIDE TO STAMP DUTY LAND TAX

Introduction

This guide provides a basic explanation of the Governments property tax for land transactions called Stamp Duty Land Tax. This tax imposes personal obligations on you. This is because the homebuyer/tenant is now the person legally responsible for calculating the amount of tax due and for providing H M Revenue and Customs with a correctly completed tax return and a cheque in payment of any tax due. This guide provides you with the opportunity to ask us to deal with this work on your behalf. If you would like us to deal with the tax return on your behalf please sign and return the duplicate of this guide forthwith.

What is Stamp Duty Land Tax?

In the Finance Act 2003 the Government abolished stamp duty and replaced it with a wider ranging tax called Stamp Duty Land Tax (SDLT). This is a self-assessed tax and applies to almost all property transactions. As a result of major changes to the SDLT regime in December 2014 affecting residential properties the system was changed so that SDLT is now charged at differing rates within bands rather than at a fixed percentage on the whole consideration

The current bands for residential properties are as follows:-

- Up to £125,000.00 0%
- £125,001.00 to £250,000.00 2%
- £250,001.00 to £925,000.00 5%
- £925,001.00 to £1,500,000.00 10%
- Over £1,500,000.00 12%
- An even higher rate of 15% applies to residential properties where the value is at least £500,000.00 the purchaser is a "non natural person" e.g. a company. .

Whereas the previous system applied a blanket percentage, the new system only applies to that part of the band in which the property value lies. For example a purchase at £200,000.00 would incur a liability of 2% of £75,000.00 (£1,500.00) whereas under the previous system this would have incurred a liability of £2,000.00.

For commercial properties the old system of thresholds remains in force and the rates for commercial properties are at present:-

- is 0% up to a purchase price of £150,000.00
- 1% for £150,001.00 to £250,000.00
- 3% for £250,001 to £500,000.00 and
- 4% for £500,001.00 and over

Who is liable to pay SDLT?

Payment of SDLT is the responsibility of the purchaser. Most clients appoint us to deal with the tax return and the payment of the SDLT for them.

If there is more than one buyer the liability for SDLT is joint and several – this means that all of the buyers are taxpayers and each has the potential personal liability for

the payment of all the tax. Therefore, if it is not paid, any one buyer can become liable to pay the whole of the SDLT due.

What is a Land Transaction Return?

Whenever a property transaction needs to be reported to H M Revenue and Customs we will submit the required returns on line on your behalf.

The LTR must be completed and received by H M Revenue and Customs within a fixed time limit of thirty days of the “effective date” which is in most cases the completion date but can be the day when the transaction is substantially performed eg when a purchaser/tenant goes in to possession. Therefore if you go into possession or a substantial part of the purchase price is paid before completion you must let us know immediately so we can submit the return. If the return is filed late whether or not tax is payable, automatic fines are imposed.

The Land Transaction Return

When a satisfactory completed LTR has been processed by H M Revenue and Customs it will issue a Land Transaction Return Certificate. H M Revenue and Customs work on a “process now, check later” basis so that an issue of the Tax Certificate does not confirm that the correct sum has been paid. The certificate is very important because the Land Registry is not allowed to accept an application to register you as the owner of the property unless the Tax Certificate is included with the application.

If you are having a mortgage to assist with the purchase then your mortgage lender may also instruct us to act for them in connection with the registration of their mortgage. The lender will require the tax certificate to be issued directly to us as your agent in order to prevent any delay in making the application to the Land Registry to register you as the owner and to register the lender’s mortgage.

Tax investigations

H M Revenue and Customs can ask you for verification of the information on an LTR at anytime during nine months following the completion date.

Appointing a tax agent and the agents role

As a taxpayer you can employ this firm (as a tax agent) to complete the LTR for you. If you wish we will also deal with any relevant correspondence from H M Revenue and Customs on your behalf including correspondence from any tax investigation. This limited function will be the extent of our duty to you. We will not provide tax advice or any other taxation service unless this is specifically agreed by us in writing. Although we can complete and submit your LTR and calculate and pay your SDLT, you remain responsible for the accuracy of the return and for paying the correct amount of tax.

Your Tax Agents fees

a) Land Transaction Returns

The work involved in completing your personal LTR and calculating and paying any SDLT on your behalf is charged separately from conveyancing work. Our fee for the completion and return of the LTR and the payment of the SDLT is £85.00 plus VAT.

b) H M Revenue and Customs SDLT investigations

Most transactions will not be subject to an H M Revenue and Customs investigation. Our fee for preparing the LTR will not cover any future tax investigation. If the transaction is selected for investigation and if you instruct us to act for you as your agent then we will advise you at that time how much we will charge for the additional work the investigation will create.

c) H M Revenue and Customs penalties and interest

H M Revenue and Customs will charge a penalty against you as the taxpayer if the return is received more than thirty days after the effective date or if the information provided is incorrect or false.

Retaining your tax records

You are required by law to keep your SDLT records or ask us as your tax agent to keep them for you for six years. Failure to do so can lead to penalties of up to £3,000.00.

What do I need to do now?

SDLT is a complicated tax and this guide describes only those aspects of the tax that you need to know in order to purchase a residential property and appoint us as your agent for SDLT purposes. If you would like us to act as your agent please complete the attached form and return it to us.

If you have any questions that this guide does not answer or if there is anything in the explanation that you find unclear please ask the solicitor who has sent this guide to you for further clarification.

BTL & Second Homes

As at 1st April 2016 an increased rate of SDLT will be applicable to acquisitions of BTL properties and second homes. The table below shows the increased rates.

- | | |
|--------------------------------|-----|
| • Up to £125,000.00 | 3% |
| • £125,001.00 to £250,000.00 | 5% |
| • £250,001.00 to £925,000.00 | 8% |
| • £925,001.00 to £1,500,000.00 | 13% |
| • Over £1,500,000.00 | 15% |

Please note the rules in relation to the higher rate of SDLT are complex and please check with us as to whether it will be payable.

APPOINTMENT OF PENGILLYS SOLICITORS LLP AS TAX AGENT

1. I/We appoint Pengillys LLP Solicitors of 67 St Thomas Street Weymouth Dorset DT4 8HB or of Challacombe House Beechwood Square Poundbury Dorchester Dorset DT1 3SS as my/our tax agent to complete my/our Land Transaction Return.

2. My/our name/s and national insurance number/s is/are as follows:-

• Buyer 1 Name:
 Date of Birth:
 National Insurance No:

• Buyer 2 Name:
 Date of Birth:
 National Insurance No:

3. If you are a company purchasing or taking a Lease please provide:-

- Your VAT reference No:
- Your tax reference No:
- Company registration No:

I/we authorise and agree

1. to provide you as my/our tax agent with the information you need to complete the LTR.
2. authorise you to complete and submit the LTR to H M Revenue and Customs with any SDLT or penalties payable by us (whether or not you act as our tax agent).
3. to indemnify you in respect of any inaccuracy in the information that we provide for the LTR.
4. to your keeping our file and SDLT papers for at least six years and thereafter destroying them.
5. accept your specified professional fees for this work.

Signed Dated.....

Signed Dated.....

Prepared by:-



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