



# STAMP DUTY LAND TAX

Stamp Duty Land Tax (SDLT) is paid on all properties. The standard rates are as follows:

Property price up to £125,000	Nil
The portion from £125,001 to £250,000	2%
The portion from £250,001 to £925,000	5%
The portion from £925,001 to £1.5m	10%

On a purchase of a new build shared ownership property, SDLT can be paid in one of two ways:

- **Option 1** - based on the price you are paying for the share you are buying, plus further duty payable on the rent you are paying. If you choose this option it may be cheaper now, but you may have to pay further SDLT in the future if you choose to staircase, so in the long run it could be more costly.
- **Option 2** - based on the full market value (FMV) of the property you are buying. If you choose this option, no duty is payable on the rent. This might be more expensive now, but if you staircase in the future, no further SDLT will be due no matter what price you are paying for the further share

If you qualify for First Time Buyer Relief, then you may be exempted from paying SDLT on your purchase, or be entitled to a reduction of £5,000. This may mean that you can choose the FMV option without it being so costly.

We will send you an "SDLT Reply Form" which will set out the amounts payable on both basis, with or without First Time Buyer Relief. We will ask you to let us know your choice and (where relevant) certify that you qualify for the relief.

## Who qualifies for First Time Buyer Relief?

To qualify for the relief you must not have owned or part-owned a residential property at any time, either now or in the past, anywhere in the world. In the case of joint buyers, this must apply to both of you.

In addition, the FMV of the property must be no higher than £500,000. This means, for example, that someone paying £130,000 for a 25% share would not qualify for relief as the FMV is too high.

## What option should you choose?

In most cases it will depend on what you can afford and what your intentions are in the future. The following comments may however assist:

- If the FMV is £125,000 or less, then choose Option 2, as the SDLT will be nil now and in the future if you staircase.
- If the FMV is £300,000 or less, then choose Option 2 if you are a first time buyer, as again the SDLT will be nil both now and on staircasing
- If the FMV is between £300,000 and £500,000, then the SDLT is reduced by £5,000 if you are a first time buyer - this may reduce Option 1 to nil and will substantially reduce the cost of Option 2.
- If the FMV is over £500,000, then even if you are a first time buyer the property value is too high to qualify for the relief.

Most likely you will want to choose the cheapest option, but it is worth considering Option 2 if you think you might staircase in the future, as in the long run it will work out cheaper. If you have no intention of staircasing, then there is no point paying on the FMV, unless the SDLT on that basis is nil.

## SDLT on Staircasing explained

No SDLT is ever payable on a staircasing transaction whereby you increase your share to 80% or less.

SDLT on a staircasing transaction whereby you will end up owning more than 80% is only payable if you chose Option 1 initially.

Where a staircasing transaction is taxable, the duty is calculated as follows:

- Calculate the overall total value of the amounts paid for the first share, plus any additional shares, plus the taxable staircasing transaction.
- Work out what the SDLT would be on that sum.
- The SDLT payable is proportionate to the value of taxable share compared to the overall total value.

Further guidance and examples can be found on the Government website by [clicking here](#).

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