

STAMP DUTY LAND TAX (TEMPORARY RELIEF) BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Bill as brought from the House of Commons on 11 January 2023 (HL Bill 85).

- These Explanatory Notes have been prepared by HM Revenue & Customs in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Bill as brought from the House of Commons on 11 January 2023 (HL Bill 85)

Overview of the Bill

- 1 This Bill will increase the nil-rate thresholds for residential Stamp Duty Land Tax (SDLT) for purchases between 23 September 2022 and 31 March 2025.
- 2 During that period, the amount that a purchaser can pay for residential property before they become liable to pay SDLT will increase from £125,000 to £250,000.
- 3 In addition, the nil-rate threshold for First Time Buyers' Relief will be increased from £300,000 to £425,000 and the maximum amount that an individual can pay while remaining eligible for First Time Buyers' Relief will increase from £500,000 to £625,000.

Policy background

- 4 This Bill is part of the government's commitment to support the property market, homeownership and promote mobility in the housing market, in turn supporting economic growth. Increased property transactions also boosts residential investment and spending on durable goods.
- 5 The measure will end on 31 March 2025 as part of the government's commitment to fiscal responsibility and ensuring trust and confidence in the UK's finances.
- 6 No consultation has been held as this is a temporary change which is wholly relieving. The government is of the view that it would not be in the public interest to consult, as this may have an adverse effect on the housing market if buyers delayed purchases during the consultation period.

Legal background

- 7 The legislation relating to SDLT is set out in Part 4 of Finance Act 2003 and came into force on 1 December 2003.
- 8 SDLT is a transaction tax which applies to acquisitions of an interest (usually a freehold or a leasehold interest) in land in England and Northern Ireland. The purchaser (that is, the person acquiring the interest) is liable to pay the tax.
- 9 SDLT is charged on the "chargeable consideration" for the transaction (which is usually the purchase price for the property). Where transactions are "linked" for SDLT purposes (that is, where they form part of a scheme, arrangement or series of transactions between the same vendor and purchaser or persons connected with them) tax is charged on the aggregate consideration for the transactions.
- 10 There are separate tables of rates for acquisitions of residential and non-residential property (which includes mixed residential and non-residential property), and residential property subject to the 'higher rates'.
- 11 Where payment for property takes the form of rent and a separate SDLT charge applies on the grant of a new lease, a further table taxes the net present value of the rent payable over the term of the lease.
- 12 An alternative 15% higher rate charge applies to certain acquisitions of dwellings for more than £500,000 by a company, a partnership including a company or a collective investment scheme.
- 13 A 2 percentage point surcharge applies to all residential rates applicable to purchases of dwellings by non-residents.

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Territorial extent and application

- 14 The extent of a Bill can be different from its application. Extent is about the jurisdictions in which the Bill forms part of the law. Application is about where a Bill produces a practical effect. The provisions in the Bill extend to England and Wales (as one legal jurisdiction) and Northern Ireland. The provisions in the Bill apply to England and Northern Ireland only. The National Assembly for Wales was given legislative competence to introduce its own equivalent to SDLT by the Wales Act 2014 and has enacted the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. The Scottish Parliament was given legislative competence to introduce its own equivalent to SDLT by section 80I of the Scotland Act 1998 and has enacted the Land and Building Transaction Tax (Scotland) Act 2013. See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

Commentary on provisions of Bill

Clause 1: Reduction of SDLT on acquisition of residential property

- 15 Clause 1(1) will provide for modification as follows of Part 4 of the Finance Act 2003 as it applies to residential land transactions with effective dates between 23 September 2022 and 31 March 2025 (“the temporary relief period”).
- 16 Clause 1(2) will substitute the table below for the existing “Table A: Residential” mentioned in section 55(1B) of Part 4 where the purchase is not subject to the ‘higher rates’. This means that between 23 September 2022 and 31 March 2025 the standard nil-rate threshold for residential purchases will be increased from £125,000 to £250,000.

Relevant consideration	Percentage
So much as does not exceed £250,000	0%
So much as exceeds £250,000 but does not exceed £925,000	5%
So much as exceeds £925,000 but does not exceed £1,500,000	10%
The remainder (if any)	12%

- 17 Clause 1(3) will substitute the table below for the existing “Table A: Residential” mentioned in paragraph 1(2) of Schedule 4ZA in Part 4 whereby a purchase is liable to the ‘higher rates’. This means that between 23 September 2022 and 31 March 2025 the 3% band for purchases of additional dwellings will be increased from £125,000 to £250,000.

Relevant consideration	Percentage
So much as does not exceed £250,000	3%
So much as exceeds £250,000 but does not exceed £925,000	8%

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So much as exceeds £925,000 but does not exceed £1,500,000	13%
The remainder (if any)	15%

- 18 Clause 1(4) will substitute the table below for the existing “Table A: Residential” mentioned in paragraph 2(3) of Schedule 5 in Part 4 where taxable rent is given for the purchase. This means that between 23 September 2022 and 31 March 2025 the nil-rate threshold for payments of rent will be increased from £125,000 to £250,000.

Rate bands	Percentage
£0 to £250,000	0%
Over £250,000	1%

- 19 Clause 1(5)(a) will substitute £625,000 for £500,000 in paragraph 1(3) of Schedule 6ZA (relief for first time buyers). This means that between 23 September 2022 and 31 March 2025 the maximum amount that an individual can pay while remaining eligible for First Time Buyers’ Relief will be increased from £500,000 to £625,000.
- 20 Clause 1(5)(b) will substitute the table below for the existing Table A in section 55(1B) mentioned in paragraph 4 of Schedule 6ZA. This means that between 23 September 2022 and 31 March 2025 the nil-rate threshold for buyers eligible to claim First Time Buyers’ Relief will be increased from £300,000 to £425,000.

Rate bands	Percentage
So much as does not exceed £425,000	0%
Any remainder (so far as not exceeding £625,000)	5%

- 21 Clause 1(6) amends the effect of section 44 of the Finance Act 2003. It provides that if a contract is substantially performed during the temporary relief period and then completed after the temporary relief period has ended, no additional tax will be due by virtue of section 44. This applies provided that the only reason for additional tax becoming due is that completion has occurred after the end of the temporary relief period.
- 22 Clause 1(7) makes provision to ensure that the terms ‘completion’, ‘contract’ and ‘conveyance’ as used in subsection (6) have the meanings given to them by section 44(10) of the Finance Act 2003.

Clause 2: Short title

- 23 Clause 2 provides that the Act may be cited as the Stamp Duty Land Tax (Temporary Relief) Act 2023.

Commencement

- 24 The Bill comes into force on Royal Assent but will apply in relation to transactions with an effective date between 23 September 2022 and 31 March 2025.
- 25 As a result of the resolutions passed by the House of Commons on 23 September 2022 under the Provisional Collection of Taxes Act 1968, the Bill's provisions increasing the residential thresholds for SDLT and the maximum amount that can be paid for a property to be eligible for First Time Buyers' Relief will have effectively been in force since 23 September 2022.
- 26 The provisions making the effects of the Bill temporary will come into force when the Bill receives Royal Assent.

Financial implications of the Bill

- 27 This measure is expected to decrease receipts. Final costings, including the financial impact of ending the measure on 31 March 2025, were published in the [Autumn Statement](#) on 17 November 2022.
- 28 The additional costs for HM Revenue & Customs in implementing the provisions are estimated to be up to £2,700,000 for staff resources and changes to IT systems.

Parliamentary approval for financial costs or for charges imposed

- 29 The Bill was founded on a resolution passed by the House of Commons on 23 September 2022 under section 5 of the Provisional Collection of Taxes Act 1968.

Compatibility with the European Convention on Human Rights

- 30 Baroness Penn, Parliamentary Secretary in HM Treasury, will, before Second Reading, make the following statement under section 19(1)(a) of the Human Rights Act 1998:

I have considered the Stamp Duty Land Tax (Temporary Relief) Bill in relation to Section 19(1)(a) of the Human Rights Act 1998. In my view, all its provisions are compatible with the convention rights.

Related documents

- 31 The following documents are relevant to the Bill and can be read at the stated locations:
 - <https://www.gov.uk/government/publications/stamp-duty-land-tax-temporary-reductions-for-residential-properties/stamp-duty-land-tax-temporary-increase-to-thresholds>

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Annex A – Territorial extent and application in the United Kingdom

Provision	England	Wales	Scotland	Northern Ireland
	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?
Clause 1 and Clause 2	Yes	No	No	Yes

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These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Bill as introduced in the House of Lords on 11 January 2023 (HL Bill 85).

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