Sergeant and Sims on Stamp Taxes

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STAMP DUTY LAND TAX MEASURES—DIVISION AA

Stamp duty land tax: multiple dwellings relief – Policy paper and Overview of tax legislation and rates (OOTLAR), para 1.10

After consultation in 2021–22 and evaluating the results of market research into the use of the relief, the government will introduce legislation in the Spring Finance Bill 2024 to abolish SDLT multiple dwellings relief for transactions with an effective date on or after 1 June 2024. This is subject to a transitional rule that will 'grandfather' transactions if they are pursuant to contracts exchanged on or before 6 March 2024 unless the contract is varied or assigned after 6 March 2024.

Special transitional rules will also apply to 'linked' transactions so that transactions occurring after 1 June 2024 cannot be treated as linked to earlier transactions in respect of which the relief was claimed.

This change would apply to *all* transactions in multiple dwellings. For single transactions in six or more dwellings, the non-residential or mixed rates would apply (as now).

The government will engage with the agricultural industry to determine if there are any impacts of abolishing the relief on the sector that should be considered further.

Stamp duty land tax: acquisitions by registered social landlords and public bodies – Policy paper and Overview of tax legislation and rates (OOTLAR), para 1.11

Legislation will be introduced in the Spring Finance Bill 2024 to remove public bodies from the SDLT 'super rate' – a flat rate of 15 per cent for purchases of dwellings worth more than £500,000. This aligns the incidence of the rate with the annual tax on enveloped dwellings. The application of the super rate to public bodies was not intended.

Legislation will also be introduced to update references in the legislative provision that gives a full SDLT relief to registered social landlords buying a chargeable interest with the assistance of a public subsidy. These changes will not extend the relief as they reflect HMRC's pre-existing practice in this area.

These changes will apply to transactions with an effective date on or after 6 March 2024.

Stamp duty land tax: first-time buyers' relief (leases and nominees) – Policy paper and Overview of tax legislation and rates (OOTLAR), para 1.12

Legislation will be introduced in the Spring Finance Bill 2023 to ensure that individuals who use a nominee or bare trust to buy a new-build flat can claim first-time buyer relief where they meet the conditions for the relief.

Where a nominee or bare trustee acquires a new lease, SDLT applies as if the trustee not the beneficiary were the purchaser. This prevents a beneficiary from claiming first-time buyer relief, as one of the conditions for the relief is that the purchaser must intend to occupy the purchased dwelling as their only or main residence.

HMRC refuse to read down the relevant deeming rule on the ground that absurdity or injustice would result from treating the trustee as the purchaser. The legislation, which will take effect for transactions with an effective date from 6 March 2024, will put the availability of the relief in these circumstances beyond doubt.

Stamp duty land tax, stamp duty and stamp duty reserve tax: Reserved Investor Funds – Policy paper and Overview of tax legislation and rates (OOTLAR), para 1.16

Legislation will be introduced in the Spring Finance Bill 2023 to establish a new type of investment fund for professional and institutional investors, the Reserved Investor Fund (RIF).

The stamp duty and SDRT rules for co-ownership authorised contractual schemes (COACSs) will be replicated for RIFs. This means that stamp duty and SDRT would not be chargeable on:

- the transfer/agreement to transfer securities to a RIF in consideration solely for the issue of units in the RIF;
- the transfer/agreement to transfer securities between sub-schemes of an umbrella RIF; or
- the transfer/agreement to transfer units in a RIF.

COACSs that are not RIFs would be transparent for stamp duty and SDRT purposes, so that the beneficial interest of the underlying scheme property would be treated as held by the participants.

Units in RIFs would be 'money's worth'; hence, an agreement to transfer chargeable securities for units in RIFs would be chargeable to SDRT.

So far as SDLT is concerned, a COACS would be transparent unless it elects into the RIF regime, in which case it would be treated as a company for SDLT purposes. To address avoidance concerns around the enveloping of assets, the government intends to introduce legislation to deem elections by COACSs into the RIF regime as an SDLT transaction, with SDLT charged on the market value of any chargeable interests held by the scheme at the date of entry into the RIF regime. RIFs would not be treated as a company for SDLT group relief, SDLT reconstruction relief or SDLT acquisition relief. Finally, a seeding relief would be available for RIFs, like that which is already available COACSs.

Stamp duty land tax, land and buildings transaction tax and land transaction tax: freeport tax reliefs sunset date extension – Spring Budget 2024, para 5.132 and Overview of tax legislation and rates (OOTLAR), para 2.12

The government will extend the period within which freeport relief can be claimed by five years, from 30 September 2026 to 30 September 2031, for qualifying transactions in designated tax sites in England and by six years, from 30 September 2028 to 30 September 2034, for qualifying transactions in designated tax sites in Scotland. The change would be made by a statutory instrument. The relief has not yet been introduced in Wales but will endure until 30 September 2034 once it is.

The government also confirmed that the reliefs available in Investment Zone tax sites (yet to be designated) would apply for ten years rather than five years as originally planned.

OVERVIEW OF TAX LEGISLATION AND RATES

Chapter 1 – Spring Finance Bill 2024

Corporate Tax

1.10 Stamp Duty Land Tax – Multiple Dwellings Relief (MDR)

As announced at Spring Budget 2024, the government will introduce legislation in Spring Finance Bill 2024 abolishing Multiple Dwellings Relief, a bulk purchase relief in the Stamp Duty Land Tax regime. This change will come into effect for transactions with an effective date on or after 1 June 2024. Transitional rules mean that MDR can still be claimed for contracts which are exchanged on or before 6 March 2024, regardless of when completion takes place. This is subject to various exclusions, for example that there is no variation of the contract after that date.

A response to the 20 November 2021 consultation Stamp Duty Land Tax: mixed-property purchases and Multiple Dwellings Relief [www.gov.uk/government/consultations/stamp-duty-land-tax-mixed-property-purchases-and-multiple-dwellings-relief] is published, as well as the outcome of the external evaluation of MDR, carried out under HMRC's Tax Relief Evaluation programme [www.gov.uk/government/publications/hmrc-evaluation-framework].

The tax information and impact note for this measure provides more information: Stamp Duty Land Tax: abolition of Multiple Dwellings Relief [reproduced below and available at www.gov.uk/government/publications/stamp-duty-land-tax-abolition-of-multiple-dwellings-relief-from-1-june-2024].

1.11 Stamp Duty Land Tax – Acquisitions by Registered Social Landlords and Public Bodies

As announced at Spring Budget 2024, the government will introduce legislation in Spring Finance Bill 2024 to amend out of date references and definitions in Stamp Duty Land Tax (SDLT) legislation relating to registered social landlords. The government will also introduce legislation to remove public bodies from the SDLT 15% higher rate charge when purchasing residential property with a value of more than £500,000. These changes will take effect from 6 March 2024.

The tax information and impact note for this measure provides more information: Stamp Duty Land Tax: change to rules for acquisitions by registered social landlords and public bodies [reproduced below and available at www.gov.uk/government/publications/stamp-duty-land-tax-change-to-rules-for-acquisitions-by-registered-social-landlords-and-public-bodies].

1.12 Stamp Duty Land Tax – First-time Buyers' Relief: Leases and Nominees

As announced at Spring Budget 2024, the government will introduce legislation in Spring Finance Bill 2024 amending the rules for claiming First-time Buyers' Relief from Stamp Duty Land Tax.

The changes will mean that individuals who purchase new leases using nominee or bare trust arrangements will be able to claim the relief and ensure that individuals who have used such arrangements in the past are unable to claim the relief on future purchases made in their own name.

The changes will take effect from 6 March 2024. Where contracts are exchanged on or before 6 March 2024, transitional rules may apply subject to conditions.

The tax information and impact note for this measure provides more information: Stamp Duty Land Tax: First-Time Buyers' Relief [reproduced below and available at www.gov.uk/government/publications/stamp-duty-land-tax-first-time-buyers-relief].

1.16 Reserved Investor Funds (RIFs)

As announced at Spring Budget 2024, the government will introduce legislation in Spring Finance Bill 2024 in relation to the Reserved Investor Fund (Contractual Scheme) (RIF), including to provide for a power to make detailed tax rules through secondary legislation at a later date.

The government is also publishing the summary of responses to the 2023 consultation on the scope and design of a tax regime for the RIF.

The tax information and impact note for this measure provides more information: Reserved Investor Fund [reproduced below and available at www.gov.uk/government/publications/reserved-investor-fund].

Chapter 2 – Measures announced at Spring Budget 2024 but not in Spring Finance Bill 2024

Corporate Tax

2.12 Freeport tax reliefs sunset date extension

As announced at Autumn Statement 2023, the government will extend the window to claim the tax reliefs available in Freeport special tax sites from 5 to 10 years. At Spring Budget 2024, the government announced that the sunset date will be extended to:

- 30 September 2031 for special tax sites in respect of English Freeports
- 30 September 2034 for special tax sites in respect of Scottish Green Freeports and Welsh Freeports

The government will extend the sunset dates through secondary legislation.

TAX INFORMATION AND IMPACT NOTES

Stamp Duty Land Tax: abolition of Multiple Dwellings Relief

Who is likely to be affected

Purchasers of residential property in England and Northern Ireland who acquire more than one dwelling in a single transaction or linked transactions.

General description of the measure

This measure abolishes Multiple Dwellings Relief (MDR) from 1 June 2024. MDR is a bulk purchase relief in Stamp Duty Land Tax (SDLT). The rate of tax is normally determined by the total consideration given for land. MDR is available to any purchaser buying 2 or more dwellings in a single transaction, or linked transactions, and allows the purchaser to calculate the tax based on the average value of the dwellings purchased as opposed to their aggregate value.

Policy objective

MDR was introduced in 2011 to reduce a potential barrier to investment in residential property and promote private rented sector (PRS) housing supply. An external evaluation of MDR carried out as part of HMRC's Tax Reliefs Evaluation Programme [www.gov.uk/government/publications/hmrc-evaluation-framework] found no strong evidence that the relief plays a significant role in supporting residential property investment, and that it has a minimal positive impact on overall housing supply or PRS supply. The evaluation has shown that MDR is not cost effective in meeting its original objectives. This measure therefore abolishes MDR from 1 June 2024.

Background to the measure

On 30 November 2021 a stage 1 consultation was published called Stamp Duty Land Tax: mixed-property purchases and Multiple Dwellings Relief [www.gov.uk/government/consultations/stamp-duty-land-tax-mixed-property-purchases-and-multiple-dwellings-relief] which set out options to improve fairness and tackle abuse of MDR. The consultation closed on 22 February 2022. A response to that consultation has been published [www.gov.uk/government/consultations/stamp-duty-land-tax-mixed-property-purchases-and-multiple-dwellings-relief].

HMRC publishes statistics estimating the cost of tax reliefs which show that in 2022 to 20223 MDR cost £700 million.

In February 2023 HMRC commissioned an external evaluation of MDR as part its Tax Reliefs Evaluation programme, the aim being to understand the extent to which MDR achieves its original policy aims. The outcome of the evaluation is published [www.gov.uk/government/publications/stamp-duty-land-tax-relief-for-multiple-dwellings-evaluation].

Detailed proposal

Operative date

This measure will apply to transactions with an effective date on or after 1 June 2024.

For contracts which exchanged on or before 6 March 2024, MDR will continue to apply, even where completion of the purchase takes place on or after 1 June 2024. This is subject to there being no variation of the contract after 6 March 2024.

MDR will also continue to apply to contracts which substantially perform before 1 June 2024.

For transactions which are linked and include the purchase of dwellings both before and after the change, those pre and post change transactions will be treated as unlinked for the purposes of MDR.

Current law

The SDLT legislation is in Part 4 to the Finance Act 2003.

Schedule 6B to the Finance Act 2003 sets out the rules for MDR.

Proposed revisions

Legislation will be introduced in Spring Finance Bill 2024 repealing Schedule 6B.

Summary of impacts

Exchequer impact (£million)

2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
–	+70	+220	+300	+340	+385

These figures are set out in Table 5.1 of Spring Budget 2024 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2024.

Economic impact

This measure is not expected to have any significant impact.

Impact on individuals, households and families

This change will not impact individuals purchasing a single dwelling. It will only increase the SDLT payable by individuals purchasing 2 or more dwellings in a single or linked transactions and may impact affordability for some households purchasing multiple dwellings. However, given the evaluation found that only 17% of private individuals claiming MDR said they were aware of MDR before purchase and that most individuals claiming MDR are for higher value purchases (with a median purchase value of £940,000), it is not expected that this change will impact family formation, stability or breakdown.

Customer experience is expected to remain broadly the same as this measure does not significantly alter how individuals interact with HMRC. However, the change will improve customer experience to the extent that it will simplify the SDLT rules and remove the scope for incorrect claims which would result in an HMRC enquiry to put it right.

Equalities impacts

The impacts of this measure will fall to those who are buying multiple residential properties in a single or linked transactions, which is expected to be in line with the existing distribution of the ownership of property. This measure is not expected to impact on this distribution for any protected group.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses.

Businesses such as landlords purchasing a single buy-to-let property will not be impacted by this measure. Only businesses purchasing multiple dwellings in a single or linked transactions will be impacted.

Those businesses purchasing 6 or more dwellings or mixed property (meaning purchases which consist of both residential and non-residential property) will continue to qualify for the non-residential rates of SDLT.

One-off costs will include familiarisation of the revised rules and could also include upskilling staff and updating software to reflect any changes to the SDLT payable.

There are not expected to be any continuing costs.

Customer experience is expected to remain broadly the same as this measure does not significantly alter how affected business interact with HMRC. However, this measure will improve customer experience to the extent that it simplifies the SDLT rules.

This measure is not expected to have an impact on civil society organisations.

Operational impact (£million) (HMRC or other)

HMRC will need to make changes to IT systems to support this change at an estimated cost of £380,000. HMRC may incur some initial staff costs for this measure which are being quantified.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from land transaction returns and regular engagement with stakeholders.

Further advice

If you have any questions about this change, contact the HMRC Stamp Taxes team at stamptaxes.budgetfinancebill@hmrc.gov.uk.

Stamp Duty Land Tax: acquisitions by registered social landlords and public bodies

Who is likely to be affected

Registered providers of social housing where a purchase is funded with the assistance of a public subsidy, and public bodies that purchase residential property in the UK worth over £500,000.

General description of the measure

The Stamp Duty Land Tax (SDLT) legislation includes an exemption for purchases of social housing by registered providers where the purchase has been at least partly funded by public subsidy. This legislation was out of date, meaning that sometimes such purchases were subject to SDLT, against the policy intention. This measure amends the out-of-date references and definitions relating to the exemption. The amendments will update the list of public subsidies to include public grants which have been permitted to be retained and recycled to qualify for the exemption. The measure also removes public bodies from the SDLT 15% higher rate charge. These changes overall will reduce the tax burden on public bodies and providers of social housing ensuring that public money being spent is used to its maximum effect.

Policy objective

The measure supports the government's objectives on social housing by ensuring that public funds given to providers of such housing are fully utilised towards providing homes, rather than spent on SDLT. It ensures the SDLT legislation for registered social landlords is up to date and removes uncertainty for some registered providers of social housing such as local authorities in respect of their eligibility status, and for all registered providers where public subsidy is recycled for the provision of new social housing. This ensures that the exemption continues to operate as intended in supporting the provision of social housing.

The measure also removes public bodies from the scope of the SDLT 15% higher rate charge which is designed to target companies avoiding SDLT when purchasing residential property valued at over £500,000 for no commercial purpose. Public bodies are not using corporate or other envelopes to avoid SDLT and so are not engaging in behaviour that the 15% higher rate was designed to counter. This is consistent with the treatment of public bodies in relation to Annual Tax on Enveloped Dwellings (ATED), a separate anti-enveloping measure, which does not apply to public bodies, and reduces their payable tax.

Background to the measure

The measure was announced at Spring Budget 2024. No consultation has been held for the measure as it is entirely relieving and is a technical change to the SDLT legislation.

Detailed proposal

Operative date

The measure will apply to transactions in England and Northern Ireland where the effective date of transaction (usually the date of completion) is on or after 6 March 2024.

Public bodies will be removed from the scope of the 15% SDLT higher rate charge where the effective date of transaction (usually the date of completion) is on or after 6 March 2024.

The measure does not apply to Scotland or Wales who operate their own land transaction taxes.

Current law

Section 71 Finance Act 2003 provides for the exemption applicable to acquisitions by registered social landlords.

Schedule 4A Finance Act 2003 sets out the 15% higher rate for certain transactions.

Proposed revisions

Section 71 Finance Act 2003 will be amended to remove out of date references, add recycled subsidy to the list of public subsidies and update the definition of a relevant housing provider to include local authorities.

Schedule 4A Finance Act 2003 will be amended to remove public bodies from the scope of the 15% SDLT higher rate charge which will take effect on and after 6 March 2024.

Summary of impacts

Exchequer impact (£million)

2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
negligible	–5	–5	–5	–5	–5

These figures are set out in Table 5.1 of Spring Budget 2024 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2024.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure is not expected to have any direct impact on individuals as the exemption from tax can only be claimed by bodies who are a registered provider of social housing.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts on those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible administrative impact on the 1613 registered providers of social housing, of which 224 are local authorities. One-off costs would include familiarisation with the changes. There are expected to be no continuing costs.

This measure will potentially benefit registered providers of social housing and local authorities by clarifying their eligibility status for the SDLT exemption.

Public bodies will benefit by removing them from the 15% higher rate charge when buying residential property worth more than £500,000.

These changes overall will reduce the tax payable by public bodies and providers of social housing.

Customer experience is expected to remain broadly the same as it is now because the measure does not change how registered providers of social housing and public bodies interact with HMRC.

This measure is not expected to impact civil society organisations.

Operational impact (£million) (HMRC or other)

There are no operational impacts.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns.

Further advice

If you have any questions about this change, contact the HMRC Stamp Taxes team at stamptaxes.budgetfinancebill@hmrc.gov.uk.

Stamp Duty Land Tax: First-time Buyers' Relief: leases and nominees

Who is likely to be affected

First-time buyers of residential property in England and Northern Ireland.

General description of the measure

This measure makes changes to the conditions for Stamp Duty Land Tax First-time Buyers' Relief.

Previously, individuals buying a new residential lease via a nominee or bare trust were unable to claim Stamp Duty Land Tax First-time Buyers' Relief on their purchase because special rules apply to those arrangements which treat the nominee or the trustee as the purchaser, and not the individual. This meant that victims of domestic abuse who wished to use such arrangements to prevent former partners from finding their new address were unable to claim relief.

This measure amends the conditions for claiming First-time Buyers' Relief so that individuals using these types of arrangements are able to claim relief, bringing them in line with purchasers of residential freeholds and pre-existing leases using similar arrangements.

Policy objective

This measure ensures that victims of domestic abuse who wish to buy a home through arrangements which preserve their anonymity from their abuser are able to do so without losing their right to claim First-time Buyers' Relief from Stamp Duty Land Tax.

This supports the government's objectives on home ownership by reducing the upfront cost of buying a home and provides support to victims and survivors of domestic abuse to help them recover and build new lives.

Background to the measure

This measure was announced at Spring Budget 2024.

Detailed proposal

Operative date

This measure applies to transactions with an effective date (usually the date of completion) on or after 6 March 2024.

Where contracts are exchanged prior to 6 March 2024 but complete or are substantially performed on or after that date, transitional rules may apply in respect of the changes being made to the definition of 'First-time Buyer'.

This measure does not apply to Scotland or Wales where devolved land transaction taxes apply.

Current law

All references are to the Finance Act 2003.

The rules relating to First-time Buyers' Relief can be found at section 57B and Schedule 6ZA. The rules relating to trusts and settlements for the purposes of Stamp Duty Land Tax can be found at Schedule 16.

Proposed revisions

Legislation contained in Spring Finance Bill 2024 will amend Schedule 6ZA.

The legislation:

- will insert a new paragraph 3A into Schedule 6ZA so that in cases where the provisions of paragraph 3(2) and (3) Schedule apply — grants of lease to nominees or bare trustees — the definition of 'purchaser' for the purposes of First-time Buyers' Relief will relate to the person or persons for whom the nominee or trustee is acting, rather than the nominee or trustee
- will amend the definition of 'first-time buyer' at paragraph 6 of Schedule 6ZA so that individuals who have previously purchased a lease to which the provisions of paragraphs 3(2) and (3) of Schedule 16 are not treated as a first-time buyer

Summary of impacts

Exchequer impact (£million)

2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Negligible	Negligible	Negligible	Negligible	Negligible	Negligible

This measure is expected to have a negligible impact on the Exchequer.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

The measure will benefit certain first-time buyers of residential leasehold properties, reducing the upfront cost of buying a home.

This measure is expected to have a positive impact on family formation by supporting survivors of domestic abuse who wish to use nominee or bare trust arrangements to buy new residential leases in order to maintain their security from former partners.

Customer experience is expected to improve by bringing the rules for claiming First-time Buyers' Relief when using nominee or bare trust arrangements in line with those applying elsewhere in the SDLT framework. This will simplify the rules for customers looking to claim relief.

Equalities impacts

The benefits of this measure will fall to those who are buying residential property, which is expected to be in line with the existing distribution of home ownership. This measure is not expected to impact on this distribution for any protected group.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on lawyers and conveyancers who advise purchasers on property transactions where nominee or bare trust arrangements are used. One-off costs may include familiarisation with the amended SDLT rules for first-time buyers. Customer experience is expected to remain broadly the same as it does not alter how businesses interact with HMRC. There is no impact on civil society organisations.

Operational impact (£million) (HMRC or other)

HMRC will need to make a small change to published guidance to reflect the changes introduced by this measure. This is expected to have a negligible cost.

No other operational costs are expected to be incurred.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

Statistics about the use of SDLT First-time Buyers' Relief are regularly collated and published. The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, contact the HMRC SDLT Helpline on Telephone: 0300 200 3510 (from abroad +44 1726 209 042).

Introduction of tax rules for the Reserved Investor Fund

Who is likely to be affected

Investment fund management businesses who may wish to establish a Reserved Investor Fund (RIF), as well as the investment funds, institutions, individuals and other entities that may invest in a RIF.

General description of the measure

This measure introduces tax rules for a new type of investment fund for professional and institutional investors.

Policy objective

The RIF is designed to complement and enhance the UK's existing funds regime by meeting industry demand for a UK-based unauthorised contractual scheme with lower costs and more flexibility than the existing authorised contractual scheme. The RIF will be open to professional and institutional investors. It is expected to be particularly attractive for investment in commercial real estate.

Background to the measure

At Spring Budget 2020, the government launched a review of the UK funds regime. This review has an overarching objective to identify options which will make the UK a more attractive location to set up, manage and administer funds, and which will support a wider range of more efficient investments that are better suited to investors' needs.

On 10 February 2022, the government responded to a 'call for input' carried out as part of the review. In the government's response, it committed to undertaking further work to explore options for the introduction of a new fund structure: an unauthorised contractual scheme. Industry representations suggested that a new unauthorised contractual scheme be known as a Reserved Investor Fund.

The government published a consultation on the scope and design of a tax regime for a RIF on 27 April 2023, as part of Tax Administration and Maintenance Day, and responded to that consultation at Spring Budget 2024.

Detailed proposal

Operative date

This measure will take effect from a date to be determined in a statutory instrument to be laid at a later date.

Current law

Existing provisions modified by this measure are:

- chapters 3 and 4 of Part 3 Taxation of Chargeable Gains Act 1992 (TCGA), which contain provisions for the treatment of investment funds and their investors
- schedule 5AAA of TCGA, which contains provisions for capital gains made by non- UK residents in relation to collective investment vehicles holding UK property
- chapter 3 of Part 6 of TCGA, which contains provisions for insurance companies
- sections 262AA to 262AF and 270IC to 270IF of Capital Allowances Act 2001 (CAA), which provide for simplified administration of capital allowances for Co-ownership Authorised Contractual Schemes (CoACS)
- section 520 of Income Tax (Trading and Other Income) Act 2005 (ITTOIA), which makes provision about personal portfolio bonds

- sections 41 and 42 of Finance Act (No2) 2017 (F(2)A 2017), which provide for HM Treasury to make regulations with respect to information requirements and investments in offshore funds for CoACS
- part 4 of Finance Act 2003 (FA 2003), which contains the rules for Stamp Duty Land Tax (SDLT), which only applies to land transactions in England and Northern Ireland
- section 90 of Finance Act 1986 (FA 1986), which contains rules for SDRT
- paragraph 25A of Schedule 13 to Finance Act 1999 (FA 1999), which contains rules for Stamp Duty
- sections 528 and 535A of the Corporation Tax Act 2010 (CTA 2010), which set out provisions for Real Estate Investment Trusts (REITs)

Proposed revisions

Legislation will be introduced in Spring Finance Bill 2024, with detailed rules being set out in a statutory instrument to be laid at a later date.

The Finance Bill clause will define what a RIF is and provide for a power for HM Treasury to make regulations in respect of RIFs.

The statutory instrument will:

- set out qualifying criteria for RIFs, including entry and exit provisions (and, where relevant, notification requirements)
- set out provisions for breaches and mitigations, where a RIF fails to meet the qualifying criteria
- set out how gains on a deemed disposal and reacquisition of investors' units will be treated
- for capital gains purposes:
  - amend the rules in section 99A TCGA to include the RIF within the definition of umbrella schemes
  - insert section 103CA TCGA which provides that all co-ownership schemes are treated as a partnership, except for CoACS and RIFs — it also provides for a deemed disposal when the tax treatment of the contractual scheme changes
  - amend section 103D TCGA to extend the current treatment of tax transparent funds to RIFs, where certain conditions are met
  - amend the rules in sections 103E to K TCGA to include the RIF, so that it can access the provisions for exchanges, mergers and reorganisations
  - add the RIF to section 211(B) TCGA so that insurance companies can invest in RIFs subject to provisions equivalent to those already in place for insurance companies investing in certain other types of investment fund

- amend Schedule 5AAA of TCGA so that a RIF is treated in the same way as a CoACS in respect of non-UK residents' capital gains, including being able to make an exemption election

- amend sections 262AA to 262AF and 270IC to 270IF of CAA to extend simplified administration of capital allowances provisions to RIFs
- add the RIF to the list of permitted property categories in section 520 ITTOIA 2005 to allow individual policyholders to select RIFs within their life insurance policy without the policy being classified as a personal portfolio bond
- amend sections 41 and 42 of F(2)A 2017 to also permit HM Treasury to make regulations in respect of information reporting and investments in offshore funds for RIFs
- For SDLT purposes:
  - amend the rules in section 102A FA 2003 to treat RIFs as companies in most instances
  - amend Part 2 Schedule 7A FA 2003 to allow RIFs to claim seeding relief
- amend the rules in section 90 of FA 1986 to extend the current SDRT treatment for authorised contractual schemes to RIFs
- amend the rules in paragraph 25A of Schedule 13 to FA 1999 to extend the current Stamp Duty treatment for authorised contractual schemes to RIFs
- amend the rules for REITs to:
  - add the RIF to the list of institutional investors in section 528(4A) CTA 2010
  - add disposals of units in a UK property rich RIF to the exemption in section 535A CTA 2010

Summary of impacts

Exchequer impact (£million)

2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
–	Negligible	Negligible	Negligible	–5	–5

These figures are set out in Table 5.1 of Spring Budget 2024 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2024.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure will impact those individuals who are able to invest in a RIF and choose to do so. The tax rules applying to the RIF will determine the income and gains they are treated as receiving from the RIF for UK tax purposes. Such individuals will be subject to the normal tax reporting obligations in respect of income and gains but otherwise will not be subject to any additional requirements by this measure.

The measure is not expected to impact on family formation, stability or breakdown.

Customer experience for individuals who invest in a RIF is expected to remain broadly the same as this measure does not significantly alter how they would be required to interact with HMRC.

Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure will have a negligible impact on the managers of an estimated 250 funds who may wish to use the regime.

One-off costs will include familiarisation with the new regime. Continuing costs could include providing HMRC with information, including an annual report, should a fund choose to enter the regime. There are not expected to be any further one-off or continuing costs.

Customer experience for managers of funds which enter the RIF regime is expected to be broadly comparable to the customer experience of managers of other UK fund vehicles, such as CoACS. Guidance will be prepared to aid customers' interaction with HMRC and help them understand the requirements placed upon them if they choose to notify into the regime.

The measure will also impact businesses which are able to invest in a RIF and choose to do so. The tax rules applying to the RIF will determine the income and gains such businesses are treated as receiving from the RIF for UK tax purposes. Such businesses may incur one-off costs relating to familiarisation with the new regime. No other one-off costs or continuing costs are expected.

Overall, customer experience for businesses who invest in a RIF is expected to remain broadly the same as this measure does not significantly alter how they would be required to interact with HMRC.

The measure is not expected to have an impact on civil society organisations.

Operational impact (£million) (HMRC or other)

This change will result in operational impacts for HMRC that are estimated to cost in the region of £1.9 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through ongoing communication with affected taxpayer groups and the collection of information through information reports and, where relevant, tax returns submitted to HMRC.

Further advice

If you have any questions about this change, contact the Financial Services Policy Team at financialservicesbai@hmrc.gov.uk.

SPRING BUDGET 2024: POLICY COSTINGS

Reserved Investor Fund: tax rules to facilitate the introduction of a new investment fund vehicle

Measure description

The Reserved Investor Fund (RIF) will be a new form of UK fund vehicle with a tax regime that will offer similar tax benefits to other comparable UK and non-UK funds. The new rules will tax investors on returns from investment assets held by the RIF in a similar way to if they had invested in the assets directly. The rules will also provide a relief from Stamp Duty Land Tax (SDLT) for the transfer of property into the RIF during a seeding period and some exemptions from Stamp Duty and Stamp Duty Reserve Tax (SDRT).

The costing assumes the measure takes effect from 2024/25. The precise commencement point will be determined in a statutory instrument to be laid at a later date.

The tax base

The tax base for this measure is the value of relieved transfers of units in RIFs and property moved into RIFs, which would otherwise have attracted a Stamp Duty, SDRT or SDLT charge. It is estimated using industry data and research. The tax base is grown over the period using the OBR's forecasts for the value of commercial property transactions.

Costing

The measure has no static impact on tax revenues. As the RIF will be a new form of fund vehicle, there are currently no transactions of units in RIFs or movements of property into RIFs to relieve.

The costing accounts for a behavioural response whereby the turnover of properties within the RIF is expected to be lower than if the properties were held in existing investment vehicles, which results in a small cost in SDLT revenue.

Exchequer impact (£m)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Exchequer Impact	+0m	*	*	*	–5m	–5m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Multiple Dwellings Relief: abolish from 1 June 2024

Measure description

This measure abolishes Multiple Dwellings Relief (MDR) – a relief in the Stamp Duty Land Tax (SDLT) regime that reduces the SDLT payable when an individual or company purchases two or more dwellings in one transaction or as part of a series of linked transactions.

This measure will be effective from 1 June 2024.

The tax base

The tax base consists of MDR claims on residential and mixed-use property transactions, taken from SDLT returns. The costing uses the 2022–23 year as a tax base for the measure.

The tax base is grown over the forecast horizon using the OBR's forecast for average house prices and residential property transactions.

Costing

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing accounts for multiple behavioural responses, including transaction and price changes, purchasers bringing forward transactions, and other adjustments of purchasing patterns.

This costing also accounts for the interaction with the cut in higher CGT rate for property from 28% to 24% from 6 April 2024, by assuming the rate has already been reduced in the pre-measures counterfactual.

Exchequer impact (£m)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Exchequer Impact	+0m	+70m	+220m	+300m	+340m	+385m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Stamp Duty Land Tax: Acquisitions by Registered Social Landlords & Public Bodies from 6 March 2024

Measure description

This measure amends references and definitions used in legislation relating to the Stamp Duty Land Tax (SDLT) exemption for registered providers of social housing. The amendments will update the list of public subsidies to include public grants which have been permitted to be retained and recycled to qualify for the exemption.

This measure ensures the SDLT legislation for registered social landlords is up to date and removes uncertainty for some registered providers of social housing such as local authorities in respect of their eligibility status, and for all registered providers where public subsidy is recycled for the provision of new social housing. This ensures that the exemption continues to operate as intended.

This measure also removes public bodies from the SDLT 15% higher rate charge.

This measure will be effective from 6 March 2024.

The tax base

The tax base consists of residential transactions by local authorities that do not currently claim the Registered Social Landlords (RSL) relief. This is adjusted by an estimate of the percentage of these transactions which would qualify for the RSL relief as a result of the measure. The tax base is grown over the forecast horizon using the OBR forecast for growth in house prices.

The static costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The costing does not account for a behavioural response.

Exchequer impact (£m)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Exchequer Impact	*	–5m	–5m	–5m	–5m	–5m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base.

Investment Zones in England: tax reliefs and business rates retention

Measure description

This measure will allow various tax reliefs within the specified Investment Zone tax sites and implement business rates retention within specified Investment Zone business rates retention sites. These tax reliefs are an enhanced capital allowance (ECA), enhanced structures and buildings allowance (ESBA), business rates relief, employer National Insurance contributions (NICs) relief and Stamp Duty Land Tax (SDLT) relief between tax site designation and 30 September 2034. These reliefs are all subject to their own eligibility criteria.

This measure will be effective between 2024–25 and 2033–34.

The tax base

For NICs, SDLT, ECA, and ESBA, the tax base consists of the estimated levels of employment, property transactions and capital expenditure within the postcodes associated with costed Investment Zone tax sites in England.

For business rates, the tax base consists of an estimate of the total rateable value of all non-domestic properties in costed English Investment Zone relief sites.

Costing

The costing is based on the latest information on the tax and business rates retention sites that will be agreed in Investment Zones.

The static tax costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above. The costing takes account of behavioural responses to the tax reliefs for ECA, SBA, employer NICs, and SDLT. The business rates relief costings do not include adjustments for behavioural effects.

For business rates retention, the costing is based on an estimate of the change in the business rates base in the costed Investment Zone business rates retention sites in England, together with their existing business rates retention arrangements.

Exchequer impact (£m)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Exchequer Impact	*	*	–5m	–5m	–10m	–15m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the tax base and the behavioural response.

Freeports: tax reliefs sunset date extension from 5 to 10 years

Measure description

This measure provides an extension to the tax reliefs for English, Welsh and Scottish Freeports within specified Freeport tax sites.

Freeport tax sites include an enhanced capital allowance (ECA), Structures and Buildings Allowance (SBA), Business Rates relief, Employer National Insurance Contributions (NICs) relief and a Stamp Duty Land Tax (SDLT) relief which is being extended up to 30 September 2031. These reliefs are all subject to their own eligibility criteria.

The tax base

For NICs, SDLT, ECA, and SBA, the tax base consists of the revenue receipts within the postcodes associated with chosen Freeport tax sites.

For business rates, the tax base consists of an estimate of the total rateable value of all non-domestic properties in English Freeports.

Costing

The static tax costing is estimated by applying the pre- and post-measure tax regimes to the tax base described above.

The costing takes account of behavioural responses to the tax reliefs for ECA, SBA, employer NICs, and SDLT. The business rates relief costings do not include adjustments for behavioural effects.

Exchequer impact (£m)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Exchequer Impact	+0m	+0m	*	–15m	–45m	–50m

Areas of uncertainty

The main uncertainties in this costing relate to the size of the behavioural responses.

Customer enquiries should be directed to LexisNexis Customer Support Department, tel: +44 (0)330 161 1234; email: customer.services@lexisnexis.co.uk.

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