Sergeant and Sims on Stamp Taxes

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STAMP DUTY LAND TAX MEASURES—DIVISION AA

Stamp duty land tax: increase to the higher rates on additional dwellings (and the single rate of tax on purchases by non-natural persons) – Overview of tax legislation and rates (OOTLAR), para 1.16, Tax Information and Impact Note, and Budget Resolutions 35–37

The government increased the residential higher rates by two percentage points for transactions which complete, or which are substantially performed, on or after 31 October 2024 unless pursuant to contracts exchanged before 31 October 2024.

Transitional rules ensure that contracts which were substantially performed before 31 October 2024 and which complete on or after that date do not have to submit a further SDLT return or pay additional tax on completion where an additional tax liability arises solely due to:

- the increased rates;
- a combination of the increased rates and substantial performance having taken place during a temporary relief period (either the period between 8 July 2020 and 30 September 2024, or the period between 23 September 2022 and 31 March 2025).

The government also increased the super rate of SDLT by two percentage points, subject to transitional rules. This means that non-resident companies (or UK companies controlled by non-residents) acquiring dwellings worth more than £500,000 for owner-occupation rather than a relievable activity (eg, letting) must pay SDLT at a flat 19 per cent rate unless contracts were exchanged before 31 October 2024.

Stamp duty land tax: nil rate band threshold

The government confirmed that the temporary residential rates of SDLT – introduced in 2022 – will end as planned on 31 March 2025. For transactions with an effective date on or after 1 April 2025:

- the residential nil rate band will return to £125,000;
- the First-time Buyers' Relief nil rate band will return to £300,000;
- the maximum transaction value for First-time Buyers' Relief will return to £500,000.

The government has confirmed this by failing to extend the period for the temporary rates or amending the nil-rate band threshold permanently.

STAMP DUTY AND STAMP DUTY RESERVE TAX MEASURES—DIVISION A

Stamp duty and stamp duty reserve tax: power to make Financial Market Infrastructure (FMI) sandbox related changes and exemption for Private Intermittent Securities and Capital Exchange System (PISCES) – Overview of tax legislation and rates (OOTLAR), para 1.27 and Budget Resolution 39

The government announced that it would introduce legislation in the Autumn Finance Bill 2024 to provide a stamp duty and SDRT exemption for shares in private companies traded on a new platform called PISCES (Private

Intermittent Securities and Capital Exchange System) and for onward transfers to end buyers which result from trading on PISCES. PISCES will be developed using a financial market infrastructure (FMI) sandbox. The exemption, which would be provided in secondary legislation, would be time limited to the duration of the FMI sandbox.

ANNUAL TAX ON ENVELOPED DWELLINGS MEASURES—DIVISION AB

Annual tax on enveloped dwellings: alternative finance arrangements – Budget Resolution 38

The government announced that it would introduce legislation with effect from 30 October 2024 to ensure that ATED is not payable on the ownership of a dwelling where it is held under an alternative finance arrangement entered into between a financial institution and an individual or a partnership made up of individuals only. This corrects an anomaly: Parliament cannot possibly have intended that ATED should apply in these circumstances.

Annual tax on enveloped dwellings: annual chargeable amounts for 2024–25

The government announced that the annual chargeable amounts for ATED will be increased by the September 2024 CPI figure of 1.7 per cent for the 2025–26 chargeable period. The 2025–26 annual chargeable amounts are shown below.

Taxable value of dwelling	Annual chargeable amount for 1 April 2025–31 March 2026
£0.5m–£1m	£4,450
£1m–£2m	£9,150
£2m–£5m	£31,050
£5m–£10m	£72,700
£10m–£20m	£145,950
£20m+	£292,350

OVERVIEW OF TAX LEGISLATION AND RATES

Chapter 1 – Finance Bill 2024–25

Corporate Tax

1.16 Stamp Duty Land Tax — increase to the higher rates on additional dwellings (and the single rate of tax on purchases by non-natural persons)

As announced at Autumn Budget 2024, the government will introduce legislation in Finance Bill 2024–25 to increase the higher rates of Stamp Duty Land Tax (SDLT), payable by purchasers of additional dwellings and by companies, from 3% to 5% above the standard residential rates. The government will also increase the single rate of SDLT payable by companies and non-natural persons acquiring dwellings for more than £500,000, from 15% to 17%.

The changes will apply to transactions with an effective date on or after 31 October 2024.

The tax information and impact note for this measure provides more information: Stamp Duty Land Tax: Increase to the higher rates of Stamp Duty Land Tax and to the single rate payable by non-natural persons [reproduced below and available at www.gov.uk/government/publications/stamp-duty-land-tax-increase-to-the-higher-rates-of-stamp-duty-land-tax-and-to-the-single-rate-payable-by-non-natural-persons].

1.27 Stamp Duty and Stamp Duty Reserve Tax — power to make Financial Market Infrastructure (FMI) sandbox related changes and exemption for Private Intermittent Securities and Capital Exchange System (PISCES)

As announced at Autumn Budget 2024, the government will introduce legislation in Finance Bill 2024–25 enabling HM Treasury to make Stamp Duty and Stamp Duty Reserve Tax (SDRT) changes in relation to FMI sandboxes, by Statutory Instrument.

This power will apply to FMI sandboxes established under the Financial Services and Markets Act 2023. In line with the government's commitment to delivering the Private Intermittent Securities and Capital Exchange System (PISCES), the power will be used to provide an exemption from Stamp Duty and SDRT for PISCES transactions.

The power will take effect from Royal Assent to Finance Bill 2024–25. The Statutory Instrument will be introduced to a similar timeline to the legislation that will establish the PISCES regulatory framework.

The tax information and impact note for this measure provides more information: Stamp Duty and Stamp Duty Reserve Tax — power to make changes in connection with FMI sandboxes and exemption for PISCES [reproduced below and available at www.gov.uk/government/publications/stamp-duty-and-stamp-duty-reserve-tax-power-to-make-changes-in-connection-with-fmi-sandboxes-and-exemption-for-pisces].

TAX INFORMATION AND IMPACT NOTES

Stamp Duty Land Tax – increase to the higher rates on additional dwellings and to the single rate of tax on purchases by non-natural persons

Who is likely to be affected

Individuals purchasing additional residential property such as second homes or buy-to-let properties in England and Northern Ireland, companies and other non-natural persons purchasing residential property in England and Northern Ireland, and conveyancers and other professionals who advise on such transactions.

General description of the measure

This measure increases the higher rates of Stamp Duty Land Tax (SDLT) on purchases of additional residential properties by individuals and purchases of residential properties by companies from 3 to 5 percentage points above the standard residential rates of SDLT.

The measure also increases the single rate of SDLT payable by companies and other non-natural persons when purchasing residential properties worth more than £500,000, from 15% to 17%.

Policy objective

Increasing the higher rates of SDLT on purchases of residential property is expected to disincentivise the acquisition of second homes and buy-to-let properties, freeing up housing stock for main home and first-time buyers.

The measure will also ensure companies and other non-natural persons buying dwellings for more than £500,000 which are not intended to be used for a commercial purpose pay the highest rate of SDLT.

Background to the measure

The measure was announced at Autumn Budget 2024.

Detailed proposal

Operative date

This measure applies to transactions with an effective date (usually the date of completion) on or after 31 October 2024.

Where contracts are exchanged prior to 31 October 2024 but complete or are substantially performed on or after that date, transitional rules may apply.

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

Current law

The main SDLT legislation is contained in Part 4 of the Finance Act (FA) 2003.

Higher rates of SDLT for purchases of additional residential property by individuals and companies

Section 55 of FA 2003 sets out the amounts of tax chargeable on a land transaction. Where a purchaser is liable to pay the higher rates of SDLT under Schedule 4ZA FA 2003, section 55(4A) provides that the transaction is liable to the rates of tax as set out in paragraph 1(2) of Schedule 4ZA FA 2003.

For transactions with an effective date between 23 September 2022 and 31 March 2025, those rates are as follows:

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%
So much as exceeds £925,000 but does not exceed £1.5 million	13%
The remainder (if any)	15%

For transactions with an effective date on or after 1 April 2025 those rates are as follows:

Relevant consideration	Percentage
So much as does not exceed £125,000	3%
So much as exceeds £125,000 but does not exceed £250,000	5%
So much as exceeds £250,000 but does not exceed £925,000	8%
So much as exceeds £925,000 but does not exceed £1.5 million	13%
The remainder (if any)	15%

Single rate of SDLT payable by companies and non-natural persons on purchases of dwellings for more than £500,000

Schedule 4A of FA 2003 provides for a single rate of SDLT to be charged on acquisitions of a 'higher threshold interest' by companies and other non-natural persons. A higher threshold interest is an interest in a single dwelling for which chargeable consideration of more than £500,000 is given (or is one of a number of interests in a single dwelling acquired in linked transactions, the aggregate chargeable consideration for which exceeds £500,000). Paragraph 3(1)(a) of Schedule 4A FA 2003 sets the higher rate charge at 15%.

Where the acquisition of a higher threshold interest is made in consequence of the exercise of collective rights by the tenants of flats, special rules under section 74 FA 2003 apply to determine the amount of tax chargeable on the transaction. Under section 74(1A) FA 2003, the rate of tax chargeable is set as 15% of the chargeable consideration for the transaction.

Proposed revisions

Higher rates of SDLT for purchases of additional residential property by individuals and companies

Legislation will be introduced in Finance Bill 2024–25 to amend Table A at paragraph 1(2) of Schedule 4ZA FA 2003 increasing the rate of tax payable.

For transactions with an effective date between 31 October 2024 and 31 March 2025, the rates are as follows:

Relevant consideration	Percentage
So much as does not exceed £250,000	5%
So much as exceeds £250,000 but does not exceed £925,000	10%
So much as exceeds £925,000 but does not exceed £1.5 million	15%
The remainder (if any)	17%

For transactions with an effective date on or after 1 April 2025 those rates are as follows:

Relevant consideration	Percentage
So much as does not exceed £125,000	5%
So much as exceeds £125,000 but does not exceed £250,000	7%
So much as exceeds £250,000 but does not exceed £925,000	10%
So much as exceeds £925,000 but does not exceed £1.5 million	15%
The remainder (if any)	17%

Single rate of SDLT payable by companies and non-natural persons on purchases of dwellings for more than £500,000

Legislation will be introduced in Finance Bill 2024–25 to amend section 74(1A) and paragraph 3(1)(a) of Schedule 4A FA 2003 to increase the single SDLT rate of charge for acquisitions of higher threshold interests by companies and non-natural persons from 15% to 17%.

Summary of impacts

Exchequer impact (£million)

2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
+115	+90	+170	+255	+280	+310

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

Economic impact

This measure is not expected to have any significant macroeconomic impacts, beyond the behavioural responses estimated in the costing.

The costing accounts for a behavioural response, including impacts on residential property transactions liable to the higher rates and the single rate for corporate bodies, and on residential property prices. The costing assumes that a proportion of the disincentivised higher rates transactions will be displaced by primary residence transactions.

Impact on individuals, households and families

The changes are expected to have an impact on individuals who are purchasing additional residential property such as second homes and buy-to-let properties. This will make purchases of properties that are subject to higher rates of SDLT more expensive.

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

Customer experience is expected to remain broadly the same as it does not change how individuals interact with HMRC.

Equalities impacts

The measure will make the acquisition of residential property more expensive for purchasers of additional dwellings, such as second homes and buy-to-lets, and therefore provide a greater advantage for main home and first-time buyers. This impact is expected to be in line with the existing distribution of home ownership among this type of purchaser.

The measure is not expected to impact on this distribution for any protected group.

The increase in the single SDLT rate for acquisitions of higher threshold interests by companies and non-natural persons is not expected to have an impact for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This change is expected to have a negligible impact on businesses associated with the property and conveyancing industry.

One-off costs will include familiarisation with the changes and could also include making minor IT and software changes to take account of the changes. There are not expected to be any continuing costs.

This change is expected to affect businesses (such as buy-to-let landlords) as it will make the cost of purchasing residential property more expensive.

This measure is not expected to impact civil society organisations.

Customer experience is expected to remain broadly the same as the measure does not alter existing processes.

Operational impact (£ million) (HMRC or other)

HMRC will need to make changes to its IT systems and to the online calculator on GOV.UK to support the changes. These are estimated to cost up to £100,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Stamp Duty and Stamp Duty Reserve Tax – power to make changes in connection with FMI sandboxes and exemption for PISCES

Who is likely to be affected

Taxpayers and businesses involved in the buying or selling of shares traded on a Private Intermittent Securities and Capital Exchange System (PISCES) platform.

General description of the measure

The measure provides a power enabling HM Treasury to make Stamp Duty and Stamp Duty Reserve Tax (SDRT) changes in relation to financial market infrastructure (FMI) sandboxes, as established under the Financial Services and Markets Act 2023, by statutory instrument. This power will be used to provide an exemption for PISCES related transfers as announced at Autumn Budget 2024.

Policy objective

PISCES is a new type of trading platform that will allow private companies to have their shares traded intermittently, supporting private companies to scale and grow, and boosting the pipeline of future Initial Public Offerings in the UK.

Removing a Stamp Duty and SDRT charge will help increase the attractiveness and overall participation on a PISCES platform.

Background to the measure

The measure was announced at Autumn Budget 2024.

The regulatory framework for PISCES will be developed using a ‘financial market infrastructure sandbox’, as established under the Financial Services and Markets Act 2023.

A consultation on PISCES was launched in March 2024 by the previous government. In response to this, stakeholders have asked for clarity on the Stamp Duty and SDRT tax position.

A response to the March 2024 consultation will be published in due course, ahead of laying a statutory instrument before Parliament to establish the PISCES sandbox.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2024–25. This measure will be used by HM Treasury to make Stamp Duty and SDRT changes to a similar timeline to the legislation that will establish the PISCES regulatory framework.

Current law

The current law for Stamp Duty can be found in:

- The Stamp Duties Management Act 1891
- Stamp Duties Act 1891
- Finance Act 1895
- sections 67 to 2A Finance Act 1986
- Schedule 13 of Finance Act 1999.

Part IV of Finance Act 1986 sections 86 to 99 set out the main scope and charging provisions for Stamp Duty Reserve Tax (SDRT).

Proposed revisions

Legislation will be introduced in Finance Bill 2024–25 providing a power enabling HM Treasury to make Stamp Duty and SDRT changes in connection with any exercise of the time-limited 'financial market infrastructure sandbox' power in section 13 of the Financial Services and Markets Act 2023.

The power will be used by HM Treasury to introduce secondary legislation which provides an exemption from Stamp Duty and SDRT for transfers on a PISCES platform and for onward transfers to end purchasers which result from trading on a PISCES platform.

The exemption provided in secondary legislation will be time limited to the duration of the PISCES sandbox.

Summary of impacts

Exchequer impact (£million)

2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Negligible	Negligible	Negligible	Negligible	–5	–5

These figures are set out in table 5.1 of Autumn Budget 2024 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2024. The figures are combined for Finance Bill 2024–25 legislation and forthcoming secondary legislation.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have a positive effect by helping to incentivise current private shareholders and potential investors to buy and sell shares through trading on a PISCES platform. Investors will gain better access to innovative companies, while also benefitting from greater transparency and efficiency than available in private markets.

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

The measure will have a negligible impact on businesses operating as stock-brokers in relation to administrative burden.

One-off costs will include familiarisation with the legislation and implementation of the changes into businesses processes and IT systems which deal with the transfer and settlement of securities.

Continuing costs to businesses in the normal day-to-day operation of the measure for PISCES when applying the exemption on related securities trading and settlement will be negligible.

Continuing savings could be realised by businesses as this will also remove any requirement to submit stock transfer forms to HMRC for stamping in relation to PISCES transfers, further reducing admin burdens for brokers.

Customer experience is expected to improve by reducing the admin burden of the requirement for stockbrokers to account for the Stamp Duty or SDRT that would have been due on purchases by their underlying clients (the end investors).

This measure is expected to have a positive impact on businesses whose shares will be traded on PISCES. It aims to incentivise the use of PISCES, which in turn will support companies to scale up and grow, providing liquidity, helping shareholders, including employee shareholders, to realise their gains, and providing an opportunity to companies to rationalise their shareholder base. Companies using PISCES may also find it easier to raise capital privately outside of the platform by being connected to a wider group of potential investors.

This measure is not expected to impact on 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 external sources.

Further advice

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

AUTUMN BUDGET 2024: POLICY COSTINGS

Stamp Duty Land Tax (SDLT): Increase the Higher Rate of Additional Dwelling (HRAD) of SDLT by 2ppts from 3% to 5% from 31 October 2024

Measure description

This measure will increase the Higher Rates for Additional Dwellings (the higher rates) surcharge on Stamp Duty Land Tax (SDLT) by 2 percentage points from 3% to 5%. It will also increase the single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 by corporate bodies from 15% to 17%.

This measure will be effective from 31 October 2024.

The tax base

The tax base reflects property transactions that currently attract the higher rates surcharge and single rate for corporate bodies. It is estimated using HMRC's SDLT microsimulation model, based on transactions in the financial year 2022–23, and is grown in line with the OBR's forecast of residential property prices and 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 a behavioural response, including impacts on residential property transactions liable to the higher rates and the single rate for corporate bodies, and on residential property prices. The costing assumes that a proportion of the disincentivised higher rates transactions will be displaced by primary residence transactions.

Exchequer impact (£m)

Exchequer	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
impact	+115m	+90m	+170m	+255m	+280m	+310m

Areas of uncertainty

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

Private Intermittent Securities and Capital Exchange System (PISCES): Exempt transfers of shares made on a PISCES platform from Stamp Taxes on Shares

Measure description

This measure gives an exemption from both Stamp Duty and Stamp Duty Reserve Tax (SDRT) for transfers on a Private Intermittent Securities and Capital Exchange System (PISCES) platform and for onward transfers to end purchasers which result from trading on a PISCES platform.

This measure will be delivered to the same timetable as the wider PISCES sandbox legislation. The timing of this legislation will be announced in due course.

The tax base

The tax base is the projected value of share transactions on PISCES platforms. This is grown in line with the forecast number of companies participating on PISCES platforms and the OBR's equity prices forecast.

Costing

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

There is no behavioural adjustment to the costing.

Exchequer impact (£m)

Exchequer	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
impact	*	*	*	*	–5m	–5m

Areas of uncertainty

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

Alternative Finance: Changes to tax rules on alternative finance arrangements from 30 October 2024

Measure description

This measure changes the rules of the Annual Tax on Enveloped Dwellings (ATED) to ensure that, where the client of an alternative finance arrangement is an individual, no ATED liability arises on either the alternative finance provider or on the client. It also ensures that these alternative finance rules work for properties in Wales following devolution of land transaction taxes to the Welsh Government.

This measure will be effective from 30 October 2024.

The tax base

The tax base for this policy includes properties over the value of £500,000 that are financed using certain types of alternative finance arrangements, where the customer is an individual. The stock of liable properties was estimated using SDLT transaction data and projected using the OBR's Autumn Budget 2024 economic determinants.

Costing

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

There is no behavioural adjustment to the costing.

Exchequer impact (£m)

Exchequer	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
impact	*	–5m	–5m	–5m	–5m	–5m

Areas of uncertainty

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

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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