

Clause 1: Higher rates of tax for additional dwellings etc

Summary

1. This clause will extend the time allowed to claim back the higher rates of tax for additional dwellings of Stamp Duty Land Tax (HRAD) where an individual sells their old home within 3 years of buying a new home.
2. This clause also clarifies the meaning of `major interest` in land for the general purpose of HRAD.

Details of the clause

3. Subsection (1) makes provision to amend Schedule 4ZA to the Finance Act 2003 (Stamp Duty Land Tax: higher rates for additional dwellings and dwellings purchased by companies). These amendments are specified in subsections (2) and (3).
4. Subsection (2) makes provision to insert a new sub-paragraph (5) after sub-paragraph (4) of Schedule 4ZA to make clear that, for the purposes of HRAD, an `undivided share in land` constitutes a `major interest`. The new sub-paragraph (5) states that a `major interest in a dwelling` includes an `undivided share in a major interest in a dwelling` for the general purpose of Schedule 4ZA.
5. Subsection (3) brings that into effect for land transactions whose effective date is on or after 29 October 2018.
6. Paragraph 8(3) of Schedule 4ZA concerns the time limits for an amended SDLT return for the purposes of reclaiming the HRAD element of the tax charge. An amended return must be made by the later of: (a) three months from selling the old home; or (b) twelve months from the filing date for the SDLT return for the new home.
7. Subsection (4) amends paragraph 8(3) of Schedule 4ZA so that the three month period referred to in paragraph 8(3) (a) of Schedule 4ZA becomes a 12 month period.
8. Subsection (5) brings the new time limit into effect for cases where the effective date of the sale of the old home is on or after 29 October 2018.

Background note

9. Schedule 4ZA was inserted into the Finance Act 2003 by section 128 of the 2016 Finance Act. This contains legislation to charge higher rates of SDLT when a company buys residential property and when individuals who already own residential property do so.
10. An exception to this rule arises when someone sells an old home and buys a new home. HRAD won't be chargeable if the old home is sold before the new home is bought or if the old home is sold within three years of buying the new home. In the latter case, HRAD must be paid upfront and can be claimed back so long as certain conditions are met.
11. The changes made by this legislation will ensure that Schedule 4ZA is easier to understand and more transparent when someone –
 - amends an HRAD return after disposal of a previous main residence; or
 - buys an undivided share in a property as a tenant in common.