Property and Stamp Duty

Blackstone Moregate
Independent Financial Advisors

Anti-avoidance

Finance Bill 2011 will make three changes to ensure or put beyond doubt that certain SDLT avoidance schemes are ineffective. These relate to –

- the relationship between the rules on sub-sales and the Alternative Finance reliefs (the exception in FA 2003, s 45(3) will be extended to all such reliefs);
- the definition of a financial institution for the purposes of the SDLT Alternative Finance reliefs (it will be amended to remove companies that merely hold a Consumer Credit Licence); and
- the way the consideration is determined where land is exchanged (it will be changed to the greater of the market value of the interest acquired and what would be the chargeable consideration under the normal rules.

Blackstone Franks' Reaction:

HMRC put out a press release earlier this year which said that they were aware of lots of SDLT schemes and do not believe that any of them work. Accordingly these are probably ***"just-in-case"*** changes and HMRC will continue to attack past users of the schemes.

Reform of rules for bulk purchases

Where a purchaser of residential property acquires more than one dwelling from the same vendor (or a connected person) the rate of SDLT is normally determined by the total consideration. This deters investment in residential property as the purchase of a block of low value flats will attract 4% duty whereas the purchase of each of the flats separately might attract only 1% duty. Accordingly an option will be introduced to calculate the SDLT on the aggregate consideration attributable to dwelling divided by the number of dwellings. However if this eliminates the tax because such average consideration is under £125,000 duty will be payable at 1% instead.

This article has been written by our Tax Partner ***Robert Maas of Blackstone Franks*** *Chartered Accountants. For an in depth summary you can download his detailed budget booklet at* ***www.blackstonemoregate.com/publications/***

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