



FINANCE BILL 2024-25 CLAUSES 50-53 STAMP DUTY LAND TAX: INCREASED RATES FOR ADDITIONAL DWELLINGS

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Briefing for MPS on the **Finance Bill** by ICAEW Tax Faculty

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EXECUTIVE SUMMARY

1. ICAEW is concerned that the rate increase will create an additional incentive for taxpayers to argue that a property is non-residential or mixed use for the purposes of stamp duty land tax (SDLT).

THE MEASURE

2. Clauses 50-53 increase:
 - a) the surcharge for purchases of additional residential properties and residential properties purchased by companies from 3% to 5%; and
 - b) the flat rate for purchases of high-value (more than £500,000) residential property by companies and non-natural persons from 15% to 17%.
3. Subject to transitional provisions, these increases apply to land transactions with an effective date on or after 31 October 2024.

OUR CONCERN AND OUR RECOMMENDATIONS

4. The highest rate of SDLT for non-residential or mixed-use property is 5%. By contrast, the new highest rate of SDLT for residential properties is 19% (the 2% surcharge on residential properties bought by non-UK residents applies on top of all other residential rates of SDLT including the higher rates for additional dwellings).
5. ICAEW does not normally comment on the level of tax rates. However, the rate differential adds pressure to HMRC's compliance resource to monitor that the rates are being applied correctly.
6. We are concerned that this further divergence in rates will add to the incentive for purchasers to argue that a property is non-residential or mixed use. There is already a high volume of SDLT cases being heard by the First-tier Tribunal and higher courts on issues that HMRC would classify as 'garden and grounds' cases, 'mixed use' cases, 'communal gardens' cases, and 'not suitable for use' cases. These rely on a multifactorial assessment to determine whether a property is residential or not.
7. In 2021, HMRC **consulted on changes to the way that SDLT is calculated for purchases of mixed property**. While ICAEW expressed some concerns about applying apportionment to mixed property purchases, many of those concerns centred around the fact that the SDLT code has become increasingly complicated as competing policy objectives have added new surcharges, altered rates, or added reliefs without taking a holistic review of the operation of the tax.
8. ICAEW therefore recommends that the government should commit to undertaking a fundamental review of SDLT.

FURTHER INFORMATION

9. As part of ICAEW's Royal Charter, we have a duty to inform policy in the public interest.