



New build HomeBuy  
stamp duty land tax

## New Build HomeBuy Stamp Duty Land Tax (“SDLT”)

In general terms properties priced at between £125,000 and £250,000 are liable to tax at the rate of 1%. There is however a variation to this where the property is being bought on a new shared ownership lease where the annual rent exceeds £600. This will almost always be the case.

In such cases SDLT is payable on the price being paid even though that price is below the normal SDLT threshold of £125,000. As the first owner of a shared ownership property you have the option to elect either to pay SDLT calculated by reference to the price you are now paying for the property plus the rent, or alternatively by reference to the full market value of the property. The details of the two options are set out below.

### SDLT Option 1

With Option 1 you choose to pay Stamp Duty based on the full market value of the property. The rate of tax will be 1% for properties valued between £125,000 and £250,000 and 3% for those between £250,000 & £500,000. If you pay the tax in this way you will not be required to make any further Stamp Duty payments if you decide to staircase (increase the proportion of the property you own outright under the HomeBuy scheme). Our What is Shared Ownership? fact sheet covers this in more detail.

### SDLT Option 2

With Option 2 you choose to pay SDLT by reference to the price you are now paying plus the rent. If you choose this option then the tax is calculated by reference to what is known as the Net Present Value of the lease. The Net Present Value takes into account the price you are paying and the rent payable during the first five years of the lease.

Because the rent payable on a shared ownership lease increases in line with inflation, it is not possible to know the amount of rent actually payable during the first 5 years of the Lease. So, should you choose to pay the tax on the basis of SDLT option 2, the amount of tax paid by you on completion is based on an estimate of the rent to be paid. Once the rent for the first five years is known (which will not be until 5 years has passed) you must then complete a further return to the H M Revenue & Customs (Inland Revenue) and either pay any additional tax or claim any refund due. It will be your responsibility to make this additional tax return to the H M Revenue & Customs (Inland Revenue).

The tax payable under option 2 will not be less than 1% of the price you are paying for the property. You can obtain an estimate of the tax by using the H M Revenue & Customs (Inland Revenue)'s website calculator which can be found at <http://ldcalculator.inlandrevenue.gov.uk/>

If you use the calculator then do not forget that the rent payable will increase in line with inflation and that this will need to be reflected in the figures you insert into the calculator.

If you choose to pay Stamp Duty on the basis of SDLT option 1 you will not be required to pay any further Stamp Duty when you purchase a further share in the property. If however you pay Stamp Duty on the basis of SDLT option 2, then if you purchase further shares that bring the share owned by you to over 80%, you will be required to pay Stamp Duty on the value of the share then acquired.

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