



Stamp Duty changes and how this will affect you

From April 2016, Buy-to-let investors will now have to pay extra tax called 'special landlord stamp duty tax' when buying a property following the announcement made by George Osborne.

Example 1

The new rate means the tax bill on a buy-to-let property costing £250,000 will increase from £2,500 to £8,800.

The same increased stamp duty rate will also apply to those buying second properties, in which the owners do not intend to live full-time.

These tables help to understand the increase and what it will mean:

Value of second property/buy to let (£)	Current SDLT (£)	SDLT from 1 April 2016 (£)	Increase in tax (£)
150,000	500	3,800	3,300
250,000	2,500	8,800	6,300
350,000	7,500	16,800	9,300
450,000	12,500	24,800	12,300

Property value	Stamp duty rate for owner-occupiers	Stamp duty rate for second property/buy-to-let
Up to £40,000	0	0
The next £85,000 (the portion from £40,001 to £125,000)	0	3%
The next £125,000 (the portion from £125,001 to £250,000)	2%	5%
The next £675,000 (the portion from £250,001 to £925,000)	5%	8%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%	13%
The remaining amount (the portion above £1.5 million)	12%	15%

The higher rates will not apply if purchasing: caravans, mobile homes, houseboats, or to corporate entities or funds making significant investments in residential property.

The government are yet to consult on the policy details, including whether an exemption for corporate entities and funds owning more than 15 residential properties will be applicable.





Example 2

On a property valued at £300,000, the existing stamp duty payment is £5,000. Under the new system and assuming you don't get that first £40,000 SDLT-free, the new cost would be £14,000; if you do get that first £40,000 stamp duty-free (which seems unlikely) it would cost £12,800.

It is a big increase for landlord and will unquestionably impact on the decisions made when deciding whether to purchase or not. We should however reiterate that SDLT is an allowable expense and will be balanced by any capital gain made when the property is successively resold