



Don't get it wrong – SDLT Stamp duty and penalties if you complete your form incorrectly.

What is Stamp Duty?

Stamp duty is a Government tax imposed on buyers based on the value of their purchase price. Buyers pay the higher rate of tax on the amount that is over the limit, not on the full value of the property. Basically and in a nutshell, the stamp duty rates are as follows:

Purchase price of property	Rate of SDLT
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1.5m	10%
Over £1.5m	12%

Stamp Duty Penalties?

You will only pay the higher rate on the amount above the threshold, so if you buy a property for example £251,000 then you will only have to pay 5% tax on the £1,000 above the limit. Of the £250,000 left, £125,000 will be charged at 2%, and the remaining £125,000 will incur no interest whatsoever.

Please note that penalty payments are liable when you fail to get documents stamp within 30 days of when they was signed and dated.

The normal penalty will be 10% of the duty (maximum £300 penalty). That penalty applies for all documents that are late by up to 12 months, between 12 and 24 months it is 20% of the duty and after 24 months it is 30% of the duty.

Needless to say the penalty rate may be higher if there is evidence that the failure to submit was deliberate. If documents were executed abroad than the 30 day period runs after the documents are first received in the UK

In addition to a penalty it will be necessary to pay interest at the official rate (although less than £25 will be waived). If you are sending documents late you can ask the HM RC for their opinion. If you are not happy with that then you can request adjudication with a right of appeal within 30 days of receiving the adjudication notice

It is therefore in the clients interests that there legal representative complete the SDLT form behalf of clients to ensure that clients do not have to pay a penalty. As the legal representative will be acting on behalf of the client as their agent any such liability for penalty payments would full on the agent. Of course legal representatives will make a small charge for carrying out this service on behalf of clients but this may outweigh any penalties that the clients may have to pay if they do not get documents stamped within the relevant timescales

Also remember that if a client is purchasing a property with the assistance of a mortgage then under the CML Handbook requirements the solicitor is required to ensure that on completion they have all the funds necessary in order to complete the registration of the lenders charge at the land registry. Of course without the stamp duty having been paid and the HMRC supplying the SDLT5 form showing proof of payment of Stamp duty the solicitor will not be able to complete the registrati





of the lenders legal charge at the land registry. Some clients will argue that they have 30 days after completion in which to submit the document for stamping at the HM RC but this may fall foul of the solicitors duty to the lender to ensure that their charge is registered correctly and securely at the land registry. In such circumstances clients should be asked to complete the SDLT 1 and forward it to the solicitors so that they have it in their possession no later than the completion date to ensure that they can comply with the lenders requirements. A reminder that of course the solicitors on or before completion could also have the funds in order to pay the stamp duty on completion.

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