



Changes to Property Taxes 2019 – LBTT and SDLT Update



Changes have been made to the commercial rates and thresholds for Land and Buildings Transaction Tax (LBTT) in Scotland, along with an increase in the rate of the additional dwelling supplement. In England, the time limit for filing Stamp Duty Land Tax (SDLT) returns has been reduced to 14 days. This briefing provides the new rates and thresholds for both LBTT and SDLT, and the Welsh rates of the equivalent Land Transaction Tax.

Land and Buildings Transaction Tax (LBTT) was introduced in Scotland on 1 April 2015 to replace Stamp Duty Land Tax (SDLT). The LBTT regime is similar in many ways to SDLT though there are a number of differences in the detail of its application. Originally the method of calculation of LBTT was quite different to SDLT: LBTT was set up to be calculated on a “progressive” basis – charged only on the proportion of the price within, and at the different rates set for, the relevant band or bands, meaning the amount of tax paid is more closely related to the value or price of the property. This contrasted with the “slab” approach on which SDLT was charged, where the highest applicable rate of tax was charged on the total price. However the progressive approach also found favour with the UK Government, and it has now been adopted for SDLT.

In Wales, SDLT was replaced by the Land Transaction Tax (LTT) in April 2018.

All three taxes apply to land transactions where a chargeable interest is acquired for chargeable consideration, and apply to both residential and non-residential property, the purchase of heritable property and lease transactions. In Scotland LBTT is paid direct

to Revenue Scotland; in Wales payment of LTT is made to the Welsh Revenue Authority; and HM Revenue and Customs collects SDLT.

Changes to LBTT and SDLT in 2019

The Scottish Government announced changes to the rates and thresholds for LBTT in its budget in December 2018, and those changes came into effect on 25 January 2019. The rates and bands for non-residential transactions were changed: the first tax threshold was lowered from £350,000 to £250,000, but the rate was reduced from 3% to 1%. The upper rate was raised from 4.5% to 5%. The standard rates for residential transactions remain unchanged.

The Additional Dwelling Supplement (ADS) for purchases of additional residences in Scotland – e.g. a second home or a buy-to-let property (and payable in addition to the standard amount of LBTT for the purchase) was raised from 3% to 4%. The ADS rate for SDLT remains at 3%.

For more information about ADS, read our briefing at <https://shepwedd.com/knowledge/land-and-buildings-transaction-tax-3-residential-supplement>



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On 1 March 2019, the UK Government introduced a reduced time limit for filing SDLT returns, from 30 days from the effective date of the transaction (usually completion) to 14 days. The time limit for filing LBTT returns remains at 30 days from the effective date of the transaction.

Residential Property

The basic rates of LBTT and SDLT on residential property remain unchanged. LBTT is not generally payable on leases of residential property, whereas SDLT is payable on the lease premium (an upfront payment over and above any set rental terms) on a residential leasehold property, at the same rates as for purchasing freehold, and also potentially on the total rent over the life of the lease if it is more than £125,000 (at a rate of 1% on the portion over £125,000 for new leases).

Relief is available to first-time buyers: in Scotland the nil band is raised to £175,000, regardless of the price being paid; in England the nil rate is extended to £300,000 and, if the price is between £300,001 and £500,000, the first £300,000 is exempt and 5% is payable on the balance. There is no first-time buyer relief if the price is in excess of £500,000.

Companies buying residential properties are charged SDLT at 15% for properties costing more than £500,000. There is no equivalent higher rate for LBTT, but a company buying a residential property must always pay the ADS in addition to the standard tax.

| Current LBTT rates (unchanged) | Current SDLT rates (unchanged) |
|---------------------------------|-------------------------------------|
| Up to £145,000 – 0% | Up to £125,000 – 0% |
| Over £145,000 to £250,000 – 2% | Over £125,000 to £250,000 – 2% |
| Over £250,000 to £325,000 – 5% | Over £250,000 to £925,000 – 5% |
| Over £325,000 to £750,000 – 10% | Over £925,000 to £1.5 million – 10% |
| Over £750,000 – 12% | Over £1.5 million – 12% |

While the rates of tax are the same for both LBTT and SDLT, the thresholds at which each band changes are significantly different. Under these rates, the tipping point for homes, after which the amount of LBTT payable will exceed the amount of SDLT on an equivalent price, is around £333,000.

The ADS is payable on SDLT at the rate of 3%.

Commercial Property

Different rates and thresholds apply to purchases of non-residential property for both LBTT and SDLT:

| Previous rates for LBTT (applicable from 1 April 2015) | Current SDLT rates (unchanged) |
|---|---|
| LBTT on Commercial Property Up to £150,000 – 0% Over £150,000 to £350,000 – 3% Over £350,000 – 4.5% | SDLT on Commercial Property Up to £150,000 – 0% Over £150,000 to £250,000 – 2% Over £250,000 – 5% |
| New rates for LBTT (applicable from 25 January 2019) | SDLT rates unchanged |
| Up to £150,000 – 0% Over £150,000 to £250,000 – 1% Over £250,000 – 5% | Up to £150,000 – 0% Over £150,000 to £250,000 – 2% Over £250,000 – 5% |

The changes to LBTT rates and thresholds effectively mean there is now only a £1,000 difference between LBTT and SDLT for considerations above £250,000.



Commercial leases

Charging of LBTT and SDLT on commercial leases is treated differently to the rates on heritable (freehold) property, and is calculated on a combination of:

- any lease premium paid; and
- the net present value of the annual rent paid (the methods of calculating NPV are different for LBTT and SDLT).

| LBTT on Commercial Leases | SDLT on Commercial Leases |
|--|---|
| NPV up to £150,000 – 0% | NPV up to £150,000 – 0% |
| Over £150,000 – 1% of the NPV that exceeds £150,000 | Over £150,000 to £5,000,000 – 1% of the NPV that exceeds £150,000 |
| | Over £5,000,000 – 2% of the NPV that exceeds £5,000,000 |
| A premium will attract the same rate as for a commercial property purchase, but, for LBTT leases, there is no nil rate band for lease premiums if the average annual rent is £1,000 or more. | |

Wales – Land Transaction Tax

LTT is also calculated on a progressive basis and different rates apply to different property types. LTT also applies a form of additional dwelling supplement, applying a rate in each band that is 3% higher than the standard rate for that band.

LTT is charged on residential leases, but only on any premium agreed, not the rent portion. There is no first-time buyer relief. Companies buying residential properties have to pay LTT at the higher rates.

| Main residential tax rates |
|--|
| The portion up to and including £180,000 – 0% |
| Over £180,000 up to and including £250,000 – 3.5% |
| Over £250,000 up to and including £400,000 – 5% |
| Over £400,000 up to and including £750,000 – 7.5% |
| Over £750,000 up to and including £1,500,000 – 10% |
| Over £1,500,000 – 12% |
| Higher residential tax rates (ADS equivalent) |
| Up to and including £180,000 – 3% |
| Over £180,000 up to and including £250,000 – 6.5% |
| Over £250,000 up to and including £400,000 – 8% |
| Over £400,000 up to and including £750,000 – 10.5% |
| Over £750,000 up to and including £1,500,000 – 13% |
| Over £1,500,000 – 15% |
| Non-residential property tax rates |
| Up to and including £150,000 – 0% |
| Over £150,000 up to and including £250,000 – 1% |
| Over £250,000 up to and including £1,000,000 – 5% |
| Over £1,000,000 – 6% |
| Non-residential property rent |
| Up to and including £150,000 – 0% |
| Over £150,000 up to and including £2,000,000 – 1% |
| Over £2,000,000 – 2% |



Key contacts

If you require advice or further information on any of the matters raised in this update, please get in touch with your usual Shepherd and Wedderburn contact.



Ann Stewart

Property and Professional
Development Adviser

T +44 (0)131 473 5380

F +44 (0)131 228 1222

E ann.stewart@shepwedd.com



Stephen Miller

Partner

T +44 (0)131 473 5227

F +44 (0)131 228 1222

E stephen.miller@shepwedd.com



Douglas Sinclair

Senior Associate

T +44 (0)131 473 5710

F +44 (0)131 228 1222

E douglas.sinclair@shepwedd.com