

You are required by HMRC to complete a land transaction return in respect of the majority of land transactions. This is a summary of the full guidance notes which are available at

www.hmrc.gov.uk/sdlreturn/intro.htm

To assist you in understanding the land transaction return which you are required to approve and sign, the codes used in the forms are set out below together with brief guidance on some other key points. Please note that references to vendor and purchaser also apply to landlord and tenant, grantor and grantee, etc.

SDLT 1

The SDLT1 form is used for all returns. For more complicated transactions and/or transactions involving multiple parties additional forms may need to be completed. If you are in doubt of what forms need to be completed, please seek advice from your solicitor.

Question 1 – Type of property

- 01 Residential property
- 02 Mixed property
- 03 Non residential property

Question 2 – Description of transaction

- F Conveyance or transfer
- L Grant of lease
- A Any other transaction where lease is involved
- O All acquisitions of interest apart from those listed under A, F or L

Question 3 – Interest transferred or created

- FP Freehold with vacant possession

Question 9 – Tax reliefs

- 05 Designated disadvantaged areas (residential)
- 07 Designated disadvantaged areas (mixed-use)
- 08 Part-exchange (house-building company)
- 09 Relocation of employment
- 10 Compulsory purchase facilitating development
- 11 Compliance with planning obligations
- 12 Group relief
- 13 Reconstruction relief
- 14 Acquisition relief (tax at 0.5%)
- 15 Demutualisation of an insurance company
- 16 Demutualisation of a building society
- 17 Incorporation of a limited liability partnership
- 18 Transfers involving public bodies
- 19 Transfer in consequence of reorganisation of parliamentary constituencies
- 20 Charities relief
- 21 Acquisition by bodies established for purposes
- 22 Right to buy relief
- 23 Registered social landlords
- 24 Alternative property finance
- 25 Collective enfranchisement by leaseholders
- 26 Crofting community right to buy
- 27 Diplomatic privileges relief
- 28 Other relief
- 29 Combination of reliefs
- 31 Alternative Finance Investment Bonds
- 33 Multiple dwellings relief
- 34 Pre-completion transaction relief
- 35 Relief from 15% SDLT rate

Question 12 – Forms of consideration

- 30 Cash or other funds transfer
- 31 Debt - satisfaction or release of a debt due to the purchaser or owed by the vendor, or the purchase taking responsibility for an existing debt.
- 32 Building works - where the purchaser agrees to carry out building works.
- 33 Employment - where the transaction is entered into by reason of the purchaser's employment or the employment of a connected person.

- 34 Other - any other consideration in money's worth, or the market value of the interest in land acquired.
- 35 Quoted shares - valued at the effective date of the transaction.
- 36 Un-quoted shares - valued at the effective date of the transaction.
- 37 Other land (e.g. land exchange)

- 38 Services - where the purchaser undertakes to provide services to the vendor
- 39 Contingent consideration - where transaction provides for an amount to be paid sometime in the future dependent upon whether or not something occurs (e.g. future grant of planning permission)

Question 13 – Linked transactions

Question 13 seeks to establish if the transaction being considered is “linked” to another. Transactions are linked if they “form part of a single scheme, arrangement or series of transactions between the same vendor and purchaser or, in either case, persons connected with them”. This is an extremely wide definition which could result in a higher tax liability for transactions which are deemed to be linked, or an additional obligation to inform HMRC of transactions which would not otherwise be notifiable.

The phrase “persons connected with them” is quite broadly defined, but, briefly, includes a spouse, a civil partner, other relatives, in many circumstances various parties in a trust, partners in a business partnership or companies owned by the same controlling person or group of people. This is not a comprehensive definition, so, if you are in any doubt, please ask your solicitor for further guidance.

For example:

1. If a house purchase is structured in such a way that the husband buys the house and the wife buys the garden in order to keep both purchases below the SDLT threshold, these will be regarded as linked transactions.

2. Where X grants an option to Y and Y then exercises the option and acquires the land, the grant and the exercise of the option are treated as two distinct land transactions chargeable to SDLT in their own right but will be linked.

If you are concerned that your business activities or those of any of your relations or business associates may be linked to any other transactions you have undertaken or intend to undertake, you must let Hewitsons know now. You are under an obligation to contact HMRC every time a new linked land transaction is completed. HMRC have extensive powers of investigation.

Question 14 – Total tax due

The current rates of tax, as at 17 March 2016, are:

- Residential

| Purchase Price/Lease premium or transfer value | SDLT rate (second home rate in brackets) |
|--|--|
| Up to £125,000 | Zero (3%) |
| Over £125,000 to £250,000 | 2% (5%) |
| Over £250,000 to £925,000 | 5% (8%) |
| Over £925,000 to £1.5 Million | 10% (13%) |
| Over £1.5 Million | 12% (15%) |

As of 4.12.2014 Rates are progressive and the several rates are charged according to the total consideration within each of the bands

■ Non-residential or mixed property

Purchase price/lease premium or transfer value (non-residential or mixed use) **SDLT rate**

| | |
|---------------------------|------|
| Up to £150,000 | Zero |
| Over £150,000 to £250,000 | 2% |
| Over £250,000 | 5% |

As of 17.03.2016 Rates are progressive and the several rates are charged according to the total consideration within each of the bands

Rates payable on leases are assessed by reference to the net present value of the property.

Non-residential Leases Calculation carried out on net present value of rent under the lease **SDLT rate**

| | |
|-----------------------------|------|
| Up to £150,000 | Zero |
| Over £150,000 to £5,000,000 | 1% |
| Over £5,000,000 | 2% |

■ Commercial Leases

Rates payable on leases are assessed by reference to the net present value of the property

For the HMRC online SDLT calculators, please refer to www.hmrc.gov.uk/sdlit/calculate/calculators.htm

The consideration for all linked transactions will be taken into account so this may affect the rate which applies.

Question 16 – Type of lease

- R Residential
- N Non residential
- M Mixed

SDLT 4

In addition to the SDLT1 form, the SDLT4 form will need to be completed in various circumstances, such as for a complex lease, multiple grants of lease or a complex commercial transaction. If you are in doubt of what forms need to be completed, please seek advice from your solicitor.

Question 6 – Reserved minerals and mineral rights

| | | | |
|----|--------------------|----|-----------------|
| 01 | More than one type | 19 | Granite |
| 02 | Anhydrite | 20 | Gypsum |
| 03 | Barytes | 21 | Ironstone |
| 04 | Brickearth | 22 | Lead |
| 05 | Calcite | 23 | Limestone |
| 06 | Chalk | 24 | Marl |
| 07 | Chert | 25 | Oil |
| 08 | Clay - ball | 26 | Peat |
| 09 | Clay - brick | 27 | Potash |
| 10 | Clay - cement | 28 | Salt |
| 11 | Clay - china | 29 | Sand |
| 12 | Clay - silica | 30 | Sand and Gravel |
| 13 | Coal | 31 | Sandstone |
| 14 | Feldspar | 32 | Shale |
| 15 | Fireclay | 33 | Slate |
| 16 | Flint | 34 | Tin |
| 17 | Fluorspar | 35 | Vien Minerals |
| 18 | Fuller's Earth | 36 | Other |

Question 7 – Description of purchaser

- 01 Unincorporated builder
- 02 Unincorporated sole trader other than a builder
- 03 Individual other than sole trader
- 04 Partnership
- 05 Local authority
- 06 Central government
- 07 Public corporation
- 08 Property company
- 09 Bank
- 10 Building society
- 11 Insurance/assurance company
- 12 Superannuation or pension fund
- 13 Other financial institution
- 14 Other company
- 15 Other, including charity

Question 8 – Type of property

- 01 Residential property
- 02 Mixed property
- 03 Non residential property

Question 10 – Local authority number

Please refer to www.hmrc.gov.uk/manuals/sdlmanual/SDLTM62320.htm.

Question 16 – Type of lease

- R Residential
- N Non residential
- M Mixed

Question 29 – Conditions relating to lease

- Option to Renew Tenant has right to renew or extend the lease.
- Market Rent Reflects an open market rent.
- Turnover Rent Based wholly or partly on profits or turnover of business.

Unascertainable Rent

Rent which cannot be quantified at the effective date of the transaction (e.g. Rent sharing where the rent is a portion of the rent received or receivable) but not a contingent rent.

Contingent Reserved Lease reserves a minimum rent that is to be paid in certain circumstances

Questions 36 and 37 – Other consideration – tenant to landlord and landlord to tenant

- 01 Debt (includes assumption by purchaser of outstanding mortgage)
- 02 Building works
- 03 Employment
- 04 Other (e.g. an annuity)
- 05 Shares in a quoted company
- 06 Shares in an unquoted company
- 07 Other land
- 08 Services
- 09 Contingent consideration

This is intended to provide general guidance only. Please seek advice if you have any queries on the SDLT position for a transaction or your land transaction return.



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This document is written as an outline guide only and any action should not be based solely on the information given here. Appropriate professional advice should always be taken in specific instances.

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