

# STAMP DUTY LAND TAX (TEMPORARY RELIEF) BILL

## EXPLANATORY NOTES

### What these notes do

These Explanatory Notes relate to the Stamp Duty Land Tax (Temporary Relief) Bill as introduced in the House of Commons on 13 July 2020 (Bill 160).

- These Explanatory Notes have been prepared by HM Revenue & Customs in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

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## Overview of the Bill

- 1 This measure temporarily increases the amount that a purchaser can pay for residential property before they pay Stamp Duty Land Tax (SDLT). It means that all individual purchasers of residential property who complete or substantially perform their purchase between 8 July 2020 and 31 March 2021 will pay less or no SDLT.

## Policy background

- 2 As a result of the Covid-19 lockdown, the housing market was largely put on hold between 26 March and 13 May, and since then there has continued to be reduced activity in the UK housing market when compared with the period before lockdown.
- 3 This measure was announced by the Chancellor on 8 July 2020.
- 4 No consultation has been held as this is a temporary change which is wholly relieving.

## Legal background

- 5 The legislation relating to Stamp Duty Land Tax is set out in Part 4 of Finance Act 2003 and came into force on 1 December 2003.
- 6 Stamp Duty Land Tax (SDLT) is a transaction tax which applies to acquisitions of an interest (usually a freehold or a leasehold interest) in land in England and Northern Ireland. The purchaser (that is, the person acquiring the interest) is liable to pay the tax.
- 7 SDLT is charged on the “chargeable consideration” for the transaction (which is usually the purchase price for the property). Where transactions are “linked” for SDLT purposes (that is, where they form part of a scheme, arrangement or series of transactions between the same vendor and purchaser or persons connected with them) tax is charged on the aggregate consideration for the transactions.
- 8 There are separate tables of rates for acquisitions of residential and non-residential property (which includes mixed residential and non-residential property), and residential property subject to the ‘higher rates’.
- 9 Where payment for property takes the form of rent and a separate SDLT charge applies on the grant of a new lease, a further table taxes the net present value (NPV) of the rent payable over the term of the lease.
- 10 An alternative 15% higher rate charge applies to certain acquisitions of dwellings for more than £500,000 by a company, a partnership including a company or a collective investment scheme.

## Territorial extent and application

- 11 The extent of a Bill can be different from its application. Extent is about the jurisdictions in which the Bill forms part of the law. Application is about where a Bill produces a practical effect. The provisions in the Bill extend to England and Wales (as one legal jurisdiction) and Northern Ireland. The provisions in the Bill apply to England and Northern Ireland only. The

National Assembly for Wales was given legislative competence to introduce its own equivalent to SDLT by the Wales Act 2014 and has enacted the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. The Scottish Parliament was given legislative competence to introduce its own equivalent to SDLT by section 80I of the Scotland Act 1998 and has enacted the Land and Building Transaction Tax (Scotland) Act 2013. See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom.

## Commentary on provisions of Bill

### Part 1: Stamp Duty Land Tax (Temporary Relief) Bill

#### Clause 1: reduced rates of SDLT on residential property for a temporary period

- 12 Clause 1(1) provides for modification as follows of Part 4 of the Finance Act 2003 as it applies to residential land transactions with effective dates between 8 July 2020 and 31 March 2021.
- 13 Clause 1(2) substitutes the table below for the existing “Table A: Residential” mentioned in section 55(1B) of Part 4 where the purchase is not liable to the ‘higher rates’ –

Relevant consideration	Percentage
So much as does not exceed £500,000	0%
So much as exceeds £500,000 but does not exceed £925,000	5%
So much as exceeds £925,000 but does not exceed £1,500,000	10%
The remainder (if any)	12%

- 14 Clause 1(3) substitutes the table below for the existing “Table A: Residential” mentioned in paragraph 1(2) of Schedule 4ZA in Part 4 whereby a purchase is liable to the ‘higher rates’ –

Relevant consideration	Percentage
So much as does not exceed £500,000	3%
So much as exceeds £500,000 but does not exceed £925,000	8%
So much as exceeds £925,000 but does not exceed £1,500,000	13%
The remainder (if any)	15%

- 15 Clause 1(4) substitutes the table below for the existing “Table A: Residential” mentioned in paragraph 2(3) of Schedule 5 in Part 4 where taxable rent is given for the purchase –

Rate bands	Percentage
£0 to £500,000	0%
Over £500,000	1%

- 16 Clause 1(5) makes provision to disregard section 57B and Schedule 6ZA of the Finance Act 2003 (affecting First Time Buyers) in the temporary relief period.
- 17 Clause 1(6) amends the effect of section 44 of the Finance Act 2003 so that no additional tax will be due by virtue of section 44 when a contract is completed after the temporary relief period has ended following substantial performance within the temporary relief period provided that the only reason for additional tax becoming due is that completion has occurred after the end of the temporary relief period.
- 18 Clause 1(7) makes provision to ensure that the terms `completion`, `contract` and `conveyance` as used in subsection (6) have the meanings given to them by section 44(10) of the Finance Act 2003.

## Clause 2: Short title

- 19 Clause 2 provides that the Bill may be cited as the Stamp Duty Land Tax (Temporary Relief) Bill.

## Commencement

- 20 The Bill comes into force on Royal Assent but applies in relation to transactions with an effective date on and after 8 July 2020. As a result of the resolutions passed by the House of Commons under the Provisional Collection of Taxes Act 1968, the Bill's provisions have effectively been in force since the afternoon of 8 July 2020.

## Financial implications of the Bill

- 21 This measure is expected to decrease receipts. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at the next fiscal event.
- 22 The additional costs for HM Revenue & Customs in implementing the provisions are estimated to be up to £750,000 for staff resources and changes to IT systems.

## Parliamentary approval for financial costs or for charges imposed

- 23 The Bill is founded on a resolution passed by the House of Commons on 13 July 2020 under section 1 of the Provisional Collection of Taxes Act 1968.

## Compatibility with the European Convention on Human Rights

24 The Chancellor of the Exchequer has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Stamp Duty Land Tax (Temporary Relief) Bill are compatible with the Convention rights.

## Related documents

25 The following documents are relevant to the Bill and can be read at the stated locations:

- HM Revenue & Customs tax information and impact note  
<https://www.gov.uk/government/publications/temporary-increase-to-stamp-duty-land-tax-nil-rate-band-for-residential-properties>

## Annex A - Territorial extent and application in the United Kingdom

The Bill will extend to England and Wales (as one legal jurisdiction) and Northern Ireland. The provisions in the Bill will apply to England and Northern Ireland only.

Provision	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?
Clauses 1 and 2	Yes	No	No	Yes

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