

Changes in the 2013 Budget

Changes made to Stamp Duty Land Tax in this year's budget include:

1. Abolition of disadvantaged areas relief.
Purchases of residential property in disadvantaged areas where the purchase price does not exceed £150,000 will no longer have relief. Transactions with an effective date on or after 6 April 2013 will be affected. Those with an effective date before then must claim relief before 5 May 2014 or it will be lost.
2. Annual Tax on "enveloped dwellings"
The provision is designed to counter tax avoidance schemes where companies own interest in land and future Stamp Duty Land Tax is intended to be avoided by selling shares in the company rather than the property itself.
Now there will be an annual tax on such property, payable by any company owning the property. Tax will normally be payable by 30 April in each year but for the first year it will be payable by 31 October 2013.
There will be further legislation for anti avoidance schemes, with retrospective effect, later this year.
3. Relief on 15 % rate for dwellings over £2 million.
Last year a 15% rate of Stamp Duty land Tax was introduced for residential properties costing more than £2 million. If there is a genuine commercial reason for the property to be in the name of a company a relief will be available and the rate will be 7%.
There is a 3 year "claw back" period if for example the commercial use ceases.
4. Tenancies at will
The position regarding a tenancy at will has been clarified. A tenancy at will occurs where an individual occupies land with the consent of the owner but the arrangement can be brought to an end at any time , unlike a normal lease which is for a fixed term. A tenancy at will is now recognized by the legislation as a lease but one which is exempt for sdlt
5. Variable or uncertain rent
If rent is adjusted for inflation in line with the RPI then the adjustment can be ignored for sdlt purposes, unless there is also a fixed increase, in which case tax will be potentially payable

For more information on the changes see the IR website
www.hmrc.gov.uk/news/budget2013-st-measures.htm or contact us at
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