

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 213: Rate in Respect of Residential Property Where Consideration Over £2m

Summary

1. [Section 213](#) applies stamp duty land tax (SDLT) on the purchase of a residential property at 7 per cent of chargeable consideration where this is more than £2 million.

Details of the Section

2. Paragraph 1 adds the new rate to Table A (Residential property) at section 55(2) Finance Act 2003.
3. Paragraph 2 provides for commencement.
4. Paragraph 3 provides that the new rate does not apply to certain transactions where a contract was entered into before the commencement date.
5. Paragraph 4 provides exceptions to the provision at paragraph 3.

Background Note

6. The amount of SDLT charged on a freehold purchase, a lease premium or the assignment of a lease is governed by section 55 Finance Act 2003. Tax is charged at a percentage of the chargeable consideration for the transaction. The percentage rate is determined by whether or not the subject-matter of the transaction consists wholly of residential property and by the amount of the consideration. In the case of linked transactions (defined by section 108 Finance Act 2003) the amounts of consideration are aggregated in order to determine the rate of tax payable.
7. The percentage rates are set out at section 55(2) in two tables - Table A: Residential and Table B: Non-residential or mixed - and range from zero per cent to 5 per cent (Table A) and zero per cent to 4 per cent (Table B). Currently the 5 per cent rate applies to wholly-residential transactions where the relevant consideration is more than £1 million.
8. The section amends Table A (Residential property) to apply the existing 5 per cent rate to transactions where the relevant consideration is more than £1 million but not more than £2 million. A new rate of 7 per cent is added for transactions where the relevant consideration is more than £2 million.
9. The new rate applies to transactions where the effective date is on or after 22 March 2012. The effective date for SDLT purposes is normally the date on which a contract is completed but may be earlier if “substantial performance” occurs. Substantial performance occurs where the purchaser takes up occupation or pays the whole (or substantially the whole) of the consideration before completion.

*These notes refer to the Finance Act 2012 (c.14)
which received Royal Assent on 17 July 2012*

10. The new rate does not apply where a transaction was entered into and substantially performed before 22 March 2012, or in other cases where a transaction was entered into before that date, unless there is a variation of the contract or assignment of rights under the contract or the transaction was effected in consequence of any option, right of pre-emption or similar right or there is a sub-sale, on or after that date.