

29th August 2024

STAMP DUTY LAND TAX CHANGES

We are all aware that the new Labour Government will be issuing their budget at the end of October. Based upon what the Prime Minister said on 27th August, “*it is going to be painful.*”

One of the taxes that impacts the residential housing market is Stamp Duty Land Tax (SDLT). In 2023 HMRC reported that this tax brought in £11.8 billion. At the moment, if you are a First Time Buyer, and the Property is less than £625,000 then you can claim relief on the first £425,000. Furthermore, if you are not a First Time Buyer then the first £250,000 of the property price is considered exempt from Stamp Duty. Both of these thresholds are changing come 31st March 2025.

With regard to First Time Buyer, the relief will drop to £300,000 and the Property value will also drop to £500,000. Allow me to give you an example:

Robbie is a First Time Buyer who is looking to purchase his first home for £500,000.00. Based upon the current SDLT rates, Robbie would have paid £3,750 in SDLT if he had completed his purchase in July of this year. If Robbie were to complete his purchase in July next year, his SDLT bill would be £10,000.00, a hefty increase of £6,250.00!

It is not just First Time Buyers that will be affected either. For other residential transactions, the current exemption will be halved to £125,000.

Here is another example:

Jack and Jill are Robbie’s parents. They have decided to downsize. They have found a property for £650,000. Based upon the current SDLT rates, their SDLT liability would have been £20,000 if they had completed in May of this year. If they completed on their purchase in May of next year, their tax bill would be £22,500 an increase of £2,500.00

It is important to state that in both of these examples, there is no Additional Dwelling Rate, or non-UK resident surcharge applied.

Related to all this, recent research conducted into the English Conveyancing system has revealed that the average amount of time it takes from originally marketing a property to completion is in excess of 140 days (circa 5 months). Of course this is an average, and there are quicker and slower transactions. Nevertheless, if you are thinking of moving home, then there really is no better time than to act now to ensure that you are able to take advantage of the current thresholds that apply to avoid paying a substantial amount in SDLT.

If you, or anyone dear to you, has questions regarding the SDLT, we are more than happy to have a complimentary chat to provide further clarification. Here at Parfitt Cresswell our experienced team

of Residential Property Lawyers are on hand to deal with your end-to-end home buying or selling needs. Please feel free to contact us at your convenience.



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