

UK Stamp Duty Holiday 2020 – What does it mean for your purchasing plans?



On 8 July 2020, the UK government announced a Stamp Duty Land Tax “holiday” affecting home purchases completing between 8 July 2020 and 31 March 2021.

The announcement is a response to ongoing uncertainty within the UK housing market following heavy disruption and restrictions, due to the COVID-19 pandemic. According to UK property portal, Zoopla, the UK’s national lockdown saw around £82 billion worth of property moves stall. As it becomes possible to progress moves again, market uncertainty remains, owing to both the long term economic impact of COVID-19 and the upcoming, still largely unknown consequences of the end of the Brexit transition period (due to close at the end of 2020).

Current predictions of the impact to UK house prices vary, though with some economists forecasting 2021 house price reductions as great as 13%, the Stamp Duty Land Tax holiday is a way to reduce buyer anxiety and mitigate pricing reductions by encouraging sale activity to continue. It seeks to encourage buyers to proceed with moves in the short term, as well as stimulate sales over the coming months, avoiding the trend of homebuyers holding off on purchases in anticipation of upcoming reductions.

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Changes Outlined

- Zero SDLT rate is applied from 08/07/2020 until 31/03/2021
- Purchases must COMPLETE within this timeframe to be eligible
- Zero SDLT rate applies on purchases with a value of up to £500,000
- Purchases of a greater value pay SDLT on the excess as detailed below

Purchase Value	SDLT Rate
Up to £500,000	0% (No Fee)
Any value between £500,001 and £925,000	5%
Any value between £925,001 and £1.5 million	10%
Any further value >£1.5 million	12%

As with standard SDLT, these rates only impact the portion of the value, which enters the next banding, rather than the full amount. The first £500,000 of the purchase is not taxed during this period, regardless of total purchase value.

Example – On a purchase valued at £525,000, the payable SDLT would be £1,250 (0% on £500,000 + 5% of the remaining £25,000)



Where a house purchase will result in the buyer owning more than one property, the higher SDLT rate for additional properties is still applied.

Those with Additional Properties

For cases where a purchase will result in the buyer owning more than one property, for example if the previous home is not sold and retained as a rental property, the higher rate for additional properties is still applied. As a result, homebuyers in these situations may pay lower fees overall during this period, but will not avoid SDLT entirely.

SDLT rates for additional properties are as follows:

Purchase Value	SDLT Rate
Up to £500,000	3%
Any value between £500,001 and £925,000	8%
Any value between £925,001 and £1.5 million	13%
Any further value >£1.5 million	15%

Example - On a purchase valued at £525,000, where it is not the buyer's only property, the total SDLT payable is £17,000 (£15,000 (3% of £500,000) + £2,000 (8% of £25,000))

Note: Buyers in the above situation may claim back the higher rate SDLT paid if the sale of their original property makes the purchased property the only one they own within three years.

What Does this Mean for UK homebuyers?

For the majority of UK homebuyers who own a single property, the scheme serves to significantly mitigate the risks of purchases in the short term. It will allow homebuyers to either retain capital or reduce borrowing previously required for SDLT payments and remain more financially whole, even in the event of short term property value losses.

Example - On a purchase valued at £525,000 the payable stamp duty of £1,250 offers a significant saving of £15,000 versus the pre-SDLT holiday rate payable of £16,250

The following table captures average purchase prices per region in the UK based on data from Zoopla in July 2020:

Region	12 Month Avg Sale Value	Holiday SDLT Payable	Standard SDLT Payable	Saving based on Avg Purchase Price
London	£653,892	£7,695	£22,694	£14,999
Scotland	£185,028	£0	£1,200	£1,200
Wales	£189,535	£0	£1,290	£1,290
North East England	£192,972	£0	£1,359	£1,359
North West England	£200,049	£0	£1,500	£1,500
East Midlands	£221,662	£0	£1,933	£1,933
West Midlands	£232,455	£0	£2,149	£2,149
South East England	£394,338	£0	£9,716	£9,716
South West England	£298,636	£0	£4,931	£4,931



Due to the current base rate applying 0% to the first £125,000 of purchase value, followed by 2% up to £250,000, the savings potential from the SDLT holiday is most impactful when purchasing larger or more expensive properties, exceeding the average purchase price in a number of locations. The most impactful savings will be captured by those purchasing homes with a value between £250,000 and £500,000.

Visit tax.service.gov.uk/calculate-stamp-duty-land-tax/#/intro to calculate the impact the SDLT holiday will have on your own personal circumstances.

Relocating Employees

For employees either moving domestically in the UK or arriving internationally, the SDLT holiday may be a heavily motivating factor to complete on moves in the coming months, particularly for those looking to purchase within the higher cost brackets which attract the greatest SDLT savings. Initial feedback from across Cartus' network of UK estate agents, Relocation Agent Network, indicates a high level of activity with new properties being brought to market and a returning level of demand, as those unable to move during lockdown periods are now able to progress. For corporate sponsored relocations, the savings remain applicable even when an organisation or supplier supports with the completion of the sale or onward purchase. For those relocating, particularly for long-term moves, the savings potential presented by the stamp duty holiday should provide further confidence as the markets begin to return to business.

Organisations expecting relocations towards the end of the year or in early 2021, should be especially mindful that the availability of the SDLT holiday is based on sale completion. With the average UK home sale currently taking 114 Days, those wishing to ensure relocating employees have adequate time to benefit from the market stimulation driven by the scheme, may be wise to accelerate planning and consider scheduling moves earlier. For organisations with multiple employees relocating into or within the UK, the SDLT holiday has the potential to drive valuable cost containment measures.

For more information, visit gov.uk/guidance/stamp-duty-land-tax-temporary-reduced-rates or contact your Cartus representative.

Sources:

<https://www.zoopla.co.uk/discover/property-news/is-it-time-for-a-stamp-duty-holiday/>

<https://www.independent.co.uk/news/business/news/coronavirus-house-price-stamp-duty-holiday-rics-a9514591.html>

<https://www.postoffice.co.uk/mortgages/rate-of-sale>

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