

A bonus for shared ownership buyers

February 2019

First-time buyers who bought a shared ownership property in the last twelve months should check if they are due a refund on any stamp duty paid.

That's because when Chancellor Hammond extended the stamp duty relief available to first-time buyers of shared ownership property in his Autumn 2018 budget, he also applied the extension retrospectively to any qualifying transactions that took place between 22 November 2017 and 29 October 2018.

Since November 2017, relief has been available to first time buyers of shared ownership property who opted for the full market value election, paying stamp duty on the value of the whole property not just their share. Now, the relief has been extended to the first premium for those opting to pay their stamp duty in stages, and, in the case of a newly granted lease, to the portion calculated on net present value of rent.

For those paying in stages, first time buyer relief will continue to be excluded from subsequent stages of any so-called 'staircasing'. And for those purchases of a property with a market value in excess of £500,000, normal stamp duty rates will apply.

Stamp Duty Land Tax ([SDLT](#)) is payable in England on residential property transactions where the market value is more than £125,000, with a tiered scale related to the purchase price, but there are different rules if you're buying your first home and the purchase price is below £500,000. These provide a complete exemption from stamp duty for qualifying first-time buyers where the full market value of the property they're buying is £300,000 or less, and a reduced bill when the full market value is £300,001 and £500,000. Overall, this can make a saving of up to £5,000 on the stamp duty payable.

When the property is being purchased under an approved shared ownership scheme, the calculations are more complex, and buyers can choose whether they pay SDLT on the full market value or just on the value of the share they have purchased. Also, when buying a new lease for a new build shared ownership property, SDLT is due on what is known as the 'net present value of rent'.

Property lawyer [Joseph O'Neill](#) said:

"Any first time buyer who completed on a shared ownership purchase on or after 22 November 2017 and opted to pay stamp duty in stages, can now make a claim for a refund of stamp duty. And those who elected to pay the full market value option should also check where they stand, if the purchase involved a new lease, as they may be due a rebate on the rental element, to which the relief has also been extended."

Many first-time buyers could stand to benefit from the changes, as they are less likely to have opted for the market value election. It involves paying out a large sum up front in expectation of later staircasing, and it's often not a viable option for those starting out on the property ladder."

Any claim must be made to HMRC no later than 28 October 2019. Refunds will also attract repayment interest at 0.5% for the period involved.

Joseph added:

"For those not yet on the property ladder and considering shared ownership, it's worth getting some guidance in advance to understand what costs will be involved at each stage as it can involve a complex set of calculations."

Understanding the options on stamp duty for shared ownership purchases

Market value Election: pay up front

You use the total market value of the property to calculate how much to pay, no matter what size share you are buying. You don't pay any more SDLT after this, even if you buy a bigger share in the property later.

Paying in stages: pay as you go

You use the price you pay for the lease – known as the 'lease premium' – if it's above the SDLT threshold. If the lease premium is below the threshold, you don't pay SDLT at this point. Those who qualify will receive the first-time buyer exemption on the SDLT against the lease premium but will not qualify for the exemption if they buy a bigger share of the property later.

Staircasing

If you buy any more shares in the property, you don't have to pay any more SDLT or send a return to HMRC until you own more than 80%, but once your share of the property goes over 80% you must send a return and pay SDLT on the transaction that took you over 80% and any transactions after that. Once you own over 80%, earlier purchased shares may become linked and so SDLT might become due on those previous shares. No first-time buyer relief will apply to staircasing share purchases after the initial lease premium transaction.

SDLT on new leases

This is the complex part of the calculation when a new lease is involved, as you may have to pay SDLT if the total rent over the life of the lease is more than £125,000. This is known as the 'net present value' and SDLT is due at 1% on the amount over £125,000 and must be added to any SDLT being paid on the lease premium. It is calculated by working out the current value of the rent you will pay to the housing association over the full length of your lease.

For more information contact [Joseph O'Neill](#), or [make an appointment](#).

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Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.

