



# Stamp duty land tax treatment of shared ownership properties in lease and leaseback arrangements

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## Who is likely to be affected?

Qualifying bodies such as housing associations with shared ownership property stock and investors who wish to enter into lease and leaseback arrangements.

## General description of the measure

This measure will extend the scope of stamp duty land tax (SDLT) multiple dwellings relief so that purchases from housing associations of superior leasehold interests in property subject to shared ownership leases can attract relief, where the transaction is part of a “lease and leaseback” arrangement. This will reduce the SDLT cost to investors participating in funding arrangements of this kind.

## Policy objective

This measure may encourage private investment in shared ownership properties as the SDLT burden on investors is reduced, enabling more housing association properties to be built without reliance on grant, and may bring forward development plans. This will help achieve the Government’s objective of increasing the provision of low-cost homeownership.

## Background to the measure

This measure was announced at Autumn Statement 2014.

## Detailed proposal

### Operative date

This measure will have effect for transactions with an effective date on or after the date on which Finance Bill 2015 receives Royal Assent.

### Current law

Under section 58D and Schedule 6B Finance Act (FA) 2003, transactions involving interests in more than one dwelling can attract SDLT relief which reduces the amount of tax payable, subject to a minimum of 1 per cent of the chargeable consideration for the transaction. This reduces the SDLT burden on transactions of this kind closer to that which is borne by purchasers of individual dwellings.

This relief does not apply to superior freehold or leasehold interests in dwellings subject to a long lease (that is, a lease granted for more than 21 years). This excludes from relief purchases of “ground rents” of blocks of flats held on long leases at minimum rents.

Under Section 70 and Schedule 9 Finance Act 2003, special rules apply to simplify the SDLT treatment of purchases of individual dwellings from housing associations and certain other public sector housing bodies (known as “qualifying bodies”) under shared ownership lease arrangements.

Under section 71 Finance Act 2003, relief is available to exempt from charge to SDLT the “leaseback” transaction in a “sale and leaseback” or “lease and leaseback” arrangement undertaken for financing purposes.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend Schedule 6B Finance Act 2003 to allow multiple dwellings relief for the grant of a superior leasehold interest where the vendor is a “qualifying body” for the purposes of the SDLT shared ownership legislation at Schedule 9 and the transaction is part of the “lease” element of a “lease and leaseback” arrangement and the “leaseback” element is eligible for relief under section 71.

## Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	negligible	negligible	negligible	negligible	negligible
This measure is expected to have a negligible impact on the Exchequer.						
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals, households and families</b>	<p>An increase in the supply of affordable housing would affect those who move into those houses.</p> <p>This measure is not expected to have an impact on family formation, stability or breakdown.</p>					
<b>Equalities impacts</b>	<p>These types of properties are typically targeted at first-time buyers who, on average, are younger and have less income than non first-time buyers.</p> <p>Beyond that, this measure is not expected to have an impact on legally protected equality groups.</p>					
<b>Impact on business, including civil society organisations</b>	This measure is expected to have a negligible impact on businesses and civil society organisations. This measure will only affect a very small number of investors who enter into lease and leaseback arrangements with housing associations. In order to claim relief from SDLT a claim must be made on the land transaction return form; we expect the additional administrative burden for businesses from this to be negligible.					
<b>Operational impact (£m)</b>	There are minimal operational impacts. No IT or staffing changes are needed for HMRC to administer the extended relief.					
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: this measure impacts mainly on investors and property developers. It is expected to have no impact on small and micro businesses.</p> <p>Other impacts have been considered and none have been identified.</p>					

**Monitoring and evaluation**

This measure will be monitored through information collected from SDLT returns and the SDLT compliance programme

**Further advice**

If you have any questions about this change, please contact Keith Brown on 03000 585733 (email: [keith.brown@hmrc.gsi.gov.uk](mailto:keith.brown@hmrc.gsi.gov.uk)).

**1 Stamp duty land tax: multiple dwellings relief**

- (1) After paragraph 2(6) of Schedule 6B to FA 2003 (stamp duty land tax: superior interest in dwellings subject to a long lease excluded from multiple dwellings relief) insert—
  - “(7) Sub-paragraph (6) does not apply where—
    - (a) the vendor is a qualifying body within the meaning of paragraph 5 of Schedule 9,
    - (b) the transaction is—
      - (i) a sale under a sale and leaseback arrangement within the meaning of section 57A(2), and
      - (ii) that sale is the grant of a leasehold interest, and
    - (c) the leaseback element of that arrangement is exempt from charge under section 57A.”
- (2) The amendment made by this section has effect in relation to any land transaction of which the effective date is on or after the day on which this Act is passed.

**EXPLANATORY NOTE**

**STAMP DUTY LAND TAX: MULTIPLE DWELLINGS RELIEF**

**SUMMARY**

1. Clause [X] amends Paragraph 2(6) of Schedule 6B to Finance Act 2003 (multiple dwellings relief) to allow relief to be claimed in respect of certain leases of dwellings which are currently excluded.
2. The change will apply to leases granted on or after the day on which Finance Bill 2015 receives Royal Assent.

**DETAILS OF THE CLAUSE**

3. Subsection (1) of the clause provides that paragraph 2(6) of Schedule 6B does not apply where a lease is granted by a qualifying body for the purposes of the stamp duty land tax (SDLT) shared ownership provisions at Schedule 9 Finance Act 2003 and the transaction constitutes the ‘sale’ element of a ‘sale and leaseback’ arrangement in which the ‘leaseback’ element qualifies for relief under section 57A Finance Act 2003.
4. Subsection (2) provides for commencement.

**BACKGROUND NOTE**

5. SDLT multiple dwellings relief (MDR) applies to reduce the amount of SDLT payable where interests in more than one dwelling are acquired in a single transaction or in linked transactions.
6. MDR excludes interests in dwellings which are superior interests (usually the freehold or a headlease) over dwellings subject to a lease granted for more than 21 years. This means that relief is not available for acquisitions of ‘ground rents’: that is, freehold reversions of blocks of flats let on long leases.
7. This clause is intended to assist housing associations and similar bodies which enter into a ‘lease and leaseback’ arrangement with an investor to secure funds for development of new social rented or shared ownership housing. Under these arrangements, the housing body grants a long lease of its existing freehold housing stock to an investor for a premium, and the investor then leases it back to the housing body for a term of years at a market rent.
8. In these circumstances the ‘leaseback’ element will generally qualify for SDLT sale and leaseback relief under section 57A Finance Act 2003. The ‘lease’ element will generally qualify for MDR in respect of dwellings let on periodic tenancies or assured shorthold

tenancies but not in respect of dwellings subject to shared ownership leases, because these are long leases.

9. The clause therefore allows MDR to apply to leases of shared ownership properties which are granted as part of a 'lease and leaseback' arrangement by a qualifying body.

10. The clause has effect for transactions where the effective date is on or after the date on which Finance Bill 2015 receives Royal Assent.

11. If you have any questions about this measure, or comments on the legislation, please contact Keith Brown on 03000 585733 (email: [stamptaxes.budget&financebill@hmrc.gsi.gov.uk](mailto:stamptaxes.budget&financebill@hmrc.gsi.gov.uk)).