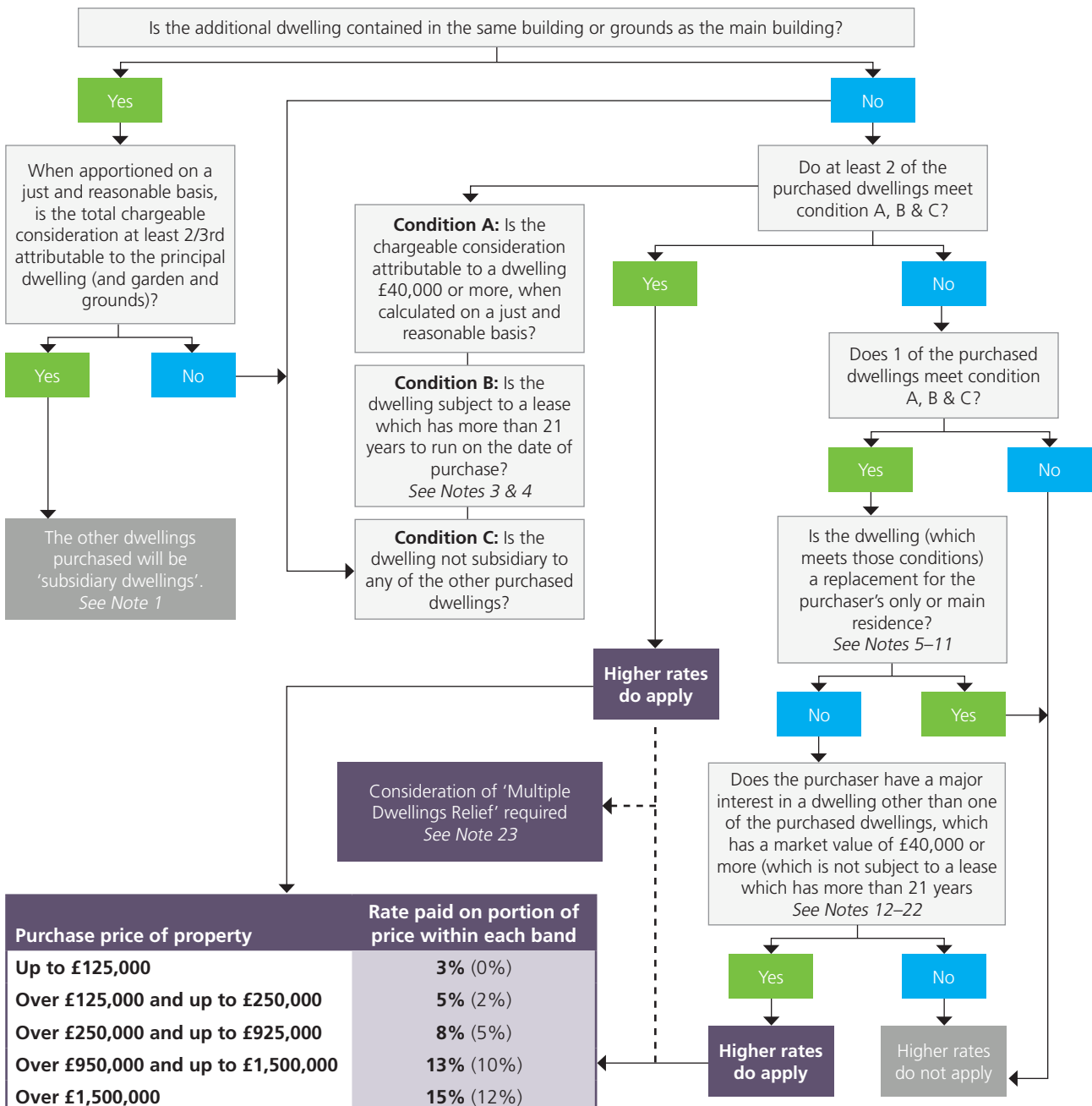


## Higher rates of SDLT for purchases of additional properties Individuals – Multiple Dwelling Transactions



## Notes

1. Where there is an acquisition of a subsidiary dwelling, the combined dwellings will be treated as one dwelling and the normal rules should be applied. See Individuals- Single purchase flowchart.
2. Where an individual purchaser purchases 2 or more dwellings in the same transaction, different tests determine whether the transaction is liable to the higher rates of tax. A transaction involving more than 1 dwelling will either be liable to the higher rates of tax or it will not. The rules do not allow for a single transaction to be a combination of higher and normal residential rates.
3. A purchase of a freehold or leasehold interest that is subject to a lease with more than 21 years remaining will not be chargeable at higher rates.
4. Cases involving lease extensions will require consideration.
5. There are 2 parts to a replacement of a purchaser's main residence:
  - There must be a disposal of a major interest in the purchaser's or their spouse or civil partner's previous main residence (the test for the old dwelling is a question of objective fact); and
  - The dwelling acquired must be intended to be occupied as the individual's only or main residence (the test in respect of the new dwelling purchased is a question of intention at the time of purchase).
6. Consideration required of what constitutes a 'main residence' – case law of *Frost v Feltham* (55TC 10) is useful.
7. The disposal of the previous main residence does not have to be by way of sale, e.g. it could be by way of a gift or transferred under a court order as part of a divorce settlement.
8. There are 2 situations in which a purchase of a dwelling will be a replacement of a main residence. The first is where the disposal occurred before, or on the day of the purchase. The second is where the purchase happens first and then the disposal happens after.
9. There are different rules depending on whether the purchase took place before or after 27 November 2018.
10. It is only the first acquisition of a new main residence that is treated as a replacement, so if 2 purchase transactions are entered into within 3 years of a disposal (or on or before 26 November 2018), only the first acquisition of a new main residence is a replacement.
11. Renting a new main residence in the time between disposal and purchase will not prevent the purchase from being a replacement of a main residence unless the period of the tenancy agreed is more than seven years.
12. An interest in a dwelling is a major interest if it is a freehold or leasehold interest and, if it is a leasehold interest, was originally granted for a term of more than 7 years.
13. The valuation is the market value of the interest owned, or treated as owned by the individual in the dwelling. Loans related to the dwelling, such as mortgages, are ignored when calculating market value.
14. The land that has to be valued is the dwelling itself, the gardens and grounds (including buildings and structures in the garden or grounds) and any other land that subsists for the benefit of the dwelling.
15. Each dwelling owned should be looked at separately for the £40,000 or more condition. Several interests below this value which add up to £40,000 or more will not cause this condition to be met.
16. The interest held must be an interest in another dwelling. A further interest owned in the same dwelling in which a major interest has been purchased will not, on its own, cause this condition to be met.
17. If an individual is a joint owner of another dwelling then they may meet this condition, if the interest in land is a major interest not subject to a lease longer than 21 years and the interest that they hold is worth £40,000 or more.
18. Consideration of legal and beneficial ownership is important for the purposes of this condition.
19. An interest in a dwelling outside the UK is counted for the purposes of this condition.
20. An individual holding a mixed residential and non-residential property will meet this condition, if the property contains a dwelling. Therefore consideration of the definition of a dwelling in these circumstances is required.
21. There are special rules for applying this condition in respect of interests held by a partnership which will require further consideration in such cases. Client checklist should be updated to include question to ascertain this point.
22. There are also special rules for applying this condition in cases where a major interest is inherited in the last 3 years and further consideration will be required in such cases. Client checklist should be updated to include question to ascertain this point.
23. Where 2 or more dwellings are purchased in a single or linked transaction, multiple dwellings relief<sup>1</sup> can be claimed. Where 6 or more dwellings are purchased in a single transaction, the purchaser can choose whether to apply the non-residential rates of SDLT or claim multiple dwellings relief and pay the higher rates.

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<sup>1</sup> Schedule 6B FA 2003