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Stamp Duty Land Tax (“SDLT”)

Mixed-use purchases

On 13 November HMRC changed its guidance to confirm that the 3% surcharge will not apply to a transaction including dwellings and non-residential property where MDR is claimed.

If you have a mixed-use purchase, for example a shop with three flats above, the options available are:

1. Apply non-residential rates; or
2. Use a hybrid calculation which applies non-residential rates to the shop and residential rates including MDR to the residential flats.

Historically if you chose option 2 it was understood that the 3% surcharge would apply to the residential element. From 13 November HMRC have updated their manuals to confirm that the 3% surcharge doesn't apply and the tax savings can be significant.

Example:

Purchase price is £1,165,000 which is split £250,000 for the shop and £915,000 for the flats.

SDLT liability under available options:

1. £47,750
2. £19,397

The tax saving is £28,353.

The principal above can potentially apply to mixed-use purchases, for example the purchase of houses, shops and agricultural land in single or linked transactions. HMRC have removed its opinion as to whether the 3% surcharge would apply in these situations leaving it open to interpretation and no doubt challenge.

Claims for overpaid tax can be made within four years of purchase. Please contact us if you believe your purchase could qualify.

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For a free initial consultation please contact:

Natasha Heron
Tax Manager
+44(0)192 363 4460
Natasha.heron
@hhllp.co.uk

Meeten Nathwani
Principal
+44(0)192 363 4474
Meeten.nathwani
@hhllp.co.uk

Liam Henry
Principal
+44(0)192 363 4416
Liam.henry
@hhllp.co.uk

Offices

London
Milton Keynes
Watford

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