



HELPING CLIENTS ACHIEVE

The new 3% Stamp Duty Surcharge – All you need to know

The Government released the new Budget last month, and with the dust now settled we highlight below the biggest changes and how they affect non-UK resident property owners.

What is the new 3% Stamp Duty surcharge?

From 1 April 2016 anyone completing on a UK property purchase that is a "second home" must pay an additional 3% SDLT surcharge.

The surcharge is payable in addition to the standard rates of SDLT that apply to all UK property purchases. A summary of the current SDLT rates and the effect of the new 3% surcharge are shown on below.

What are the exemptions?

The 3% SDLT surcharge applies to all UK



property purchases except when any of the following applies:

1. You exchanged contracts on your UK property before 25 November 2015; or
2. Your property is being purchased for under £40,000; or
3. At the end of the transaction the UK property you have just purchased is your only worldwide property that you own.

SDLT BAND	Current rate	New rate
For the first £125,000	Nil	3%
For the next £125,000	2%	5%
For the next £675,000	5%	8%
For the next £575,000	10%	13%
Above £1.5m	12%	15%

Adams & Moore visit to Asia - May 2016

We are delighted to report that Adams & Moore are visiting Asia in May 2016. Our dates are as follows:

Singapore

Wednesday 10th May – Friday 13th May

Hong Kong

Saturday 14th May (pm) – Sunday 15th May

Kuala Lumpur

Monday 16th May (pm) – Tuesday 17th May

We are aware there have been many changes with UK tax in recent months which may affect you and your UK investments.

We will be available for one-to-one meetings during our visit. If you wish to book an hour slot with us please contact us on helpdesk@adamsandmoore.co.uk

We look forward to hearing from you!

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The information provided is of a general nature, and you should not make any investment decisions based on the information presented without consulting with an appropriately qualified professional adviser.



What is meant by “only worldwide property”?

There has been some misconception of these new SDLT rules insofar that some people have thought the 3% surcharge does not apply if you are purchasing your first and only UK property. This is not the case.

If you own or jointly own any property anywhere in the world and you still own that property once you have completed your UK property purchase then the 3% SDLT surcharge will apply.

Why has this 3% SDLT surcharge been introduced?

The official line from the UK government is that the surcharge has been introduced to help “rebalance the

UK housing market in favour of owner occupiers”.

What if I own another property, purchase a UK property as a ‘second home’ but then sell my other property so my UK property becomes my only worldwide property that I own?

Under these circumstances, your UK property purchase will initially be subjected to the 3% SDLT surcharge.

However, if you sell your other property within 36 months, and your UK property effectively becomes the only worldwide property you own, you can apply to HMRC to obtain a refund of the 3% surcharge you previously paid.

HMRC are only likely to refund the SDLT surcharge if the UK property is to become your main residence (i.e. you live there).

So where’s the good news?

Clearly the introduction of the 3% SDLT surcharge is not great news for BTL property investors across the board whose investment provides such a necessary boost to the UK economy; but

this on the whole, is not expected to materially impair the demand for UK property investments for the following reasons:

1. Non-UK residents are not being ‘singled out’. The 3% surcharge applies to all BTL property investors including UK residents who purchase ‘second homes’ in the UK.
2. Annual capital growth rates of UK property remain well in excess of 3%, with growth rates predicted to plateau at around 4½ - 5% over the next 3 years.
3. When you sell your UK property, the full SDLT paid including the 3% surcharge can be deducted from your gains, saving you Capital Gains Tax at up to 28%.

Professional advice from an authorised independent advisor should always be sought.



Capital Gains Tax Requirements

Remember, as a non-UK resident if you sell UK property you must report the sale in accordance with the new Capital Gains Tax laws that are now in place for non-UK residents and non-UK companies.

This includes the preparation of a full Capital Gains Tax computation for each property and each individual owner.

Your Capital Gains Tax computations must be prepared using either the Valuation Method or the Time Apportionment Method.

All submissions and reports are required by HMRC within **30 days** of the property sale.

Adams & Moore have in depth knowledge of the new tax requirements and can ensure all your compliance requirements are met and your tax liability takes full advantage of the legal tax deductible allowances.

FOR MORE INFORMATION

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