

TAILPIECE: THE ADDITIONAL 3% SDLT CHARGE - A TIMING QUIRK (UNLESS IN WALES)



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If an individual who owns no other residential property sells his main residence and uses the proceeds within three years to purchase both a new private main residence and a buy-to-let (BTL), the order of the purchases will determine whether the additional 3% SDLT charge will apply to the BTL.

If the new private residence is the first purchase, the additional 3% will not be due on that purchase: it would be the only residential property owned and also a replacement of his main residence. However, the additional 3% liability would apply to the subsequent purchase of the BTL.

This contrasts with the position where the first property purchased is the BTL, which would not then carry the additional 3% liability as it would be the only residential property owned at that point. The subsequent purchase of the new private residence would constitute the purchase of a replacement main residence and would thereby escape the additional liability.

However, properties in Wales are subject to Land Transaction Tax, not SDLT, and the LTT legislation now addresses this type of 'intermediate transaction' during an 'interim period'. When a residential property such as a BTL is purchased which qualifies for relief from the LTT additional charge, the purchase is treated as an intermediate transaction to which a delayed LTT additional charge will apply if another residential property is subsequently purchased which qualifies for exemption from the LTT additional charge as a replacement main residence (<https://gov.wales/higher-rates-purchases-residential-property-technical-guidance#section-5249>, paragraph LTTA/8140)

It remains to be seen whether the SDLT legislation will be amended in future to introduce the LTT concept of intermediate transactions.



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