

Stamp Duty: Certain Transactions in Land: Repeal of Reliefs

Who is likely to be affected?

No one is expected to be affected by these changes which repeal reliefs that have no current practical application.

General description of the measure

Stamp duty legislation provides relief for:

- certain leases granted by registered social landlords under agreements with local authorities to provide temporary housing for the homeless;
- purchases of residential property in designated disadvantaged areas where the purchase price for the property does not exceed £150,000;
- purchases of residential property under shared ownership schemes;
- transfers of land to registered social landlords; and
- transfers of land made in connection with the provision of facilities for visiting forces and allied headquarters.

Since the introduction of stamp duty land tax in 2003 the availability of these reliefs is restricted to land transactions that were entered into but not completed before then and there are not expected to be any outstanding claims for these reliefs. The reliefs are therefore no longer necessary and are being repealed.

Policy objective

The repeals support the Government's objective to simplify the tax system and are part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May 2011 and views were requested on the Government's proposal to repeal these reliefs. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs (HMRC) websites.

Detailed proposal

Operative date

These reliefs will cease to be available for instruments executed on or after 6 April 2013. Any outstanding claims for relief must be made on or before 5 April 2013. The transitional provisions that were introduced when disadvantaged areas relief for non-residential properties was abolished in 2005 will be retained.

Current law

The current law is set out in:

- sections 128 to 130 of the Finance Act 2003 which provide relief from stamp duty on certain leases granted by registered social landlords;
- sections 92 to 92B and Schedule 30 of the Finance Act 2001 which contain the main provisions relating to disadvantaged areas relief;
- section 97 of the Finance Act 1980, section 108 of the Finance Act 1981 and section 54 of the Finance Act 1987 which provide for individuals buying a share in a property under a shared ownership scheme to elect to pay stamp duty on the market value of the whole of the property. In this case no duty is chargeable on subsequent transfers to the tenant or of the reversion;
- section 130 of the Finance Act 2000 which provides relief from stamp duty on certain transfers to registered social landlords; and
- section 74 of the Finance Act 1960 which provides exemption from stamp duty on transfers of land made in connection with the provision of facilities for visiting forces and allied headquarters.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to repeal these reliefs and make consequential amendments.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	-	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	These changes have no significant economic impacts.				
Impact on individuals and households	These changes will have no impact on individuals or households as there are not expected to be any outstanding claims for the reliefs.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	These changes will have no impact on business as there are not expected to be any outstanding claims for the reliefs.				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				
Other impacts	The potential for other impacts has been considered and none have been identified.				

Monitoring and evaluation

These changes do not require monitoring or evaluation. They remove unnecessary reliefs. Any correspondence received on the impact of the repeals will be dealt with on a case by case basis.

Further advice

If you have any questions about this change, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).

1 Repeals relating to stamp duty

Schedule 1 contains provision repealing certain provisions relating to stamp duty.

SCHEDULE 1

Section 1

REPEALS RELATING TO STAMP DUTY

Visiting forces and allied headquarters

- 1 Section 74 of FA 1960 (visiting forces and allied headquarters: stamp duty exemptions) is repealed.

Shared ownership transactions

- 2 (1) The following provisions are repealed—
 - (a) section 97 of FA 1980,
 - (b) section 108 of FA 1981, and
 - (c) section 54 of FA 1987.
- (2) In consequence of the provision made by sub-paragraph (1), omit the following provisions—
 - (a) in Schedule 2 to the Housing (Consequential Provisions) Act 1985, paragraph 43;
 - (b) in FA 1988, section 142(1);
 - (c) in Schedule 14 to FA 1999, paragraph 6.

Transfers to registered social landlords

- 3 (1) Section 130 of FA 2000 (transfers to registered social landlords etc) is repealed.
- (2) In consequence of the provision made by sub-paragraph (1), in section 131 of that Act (relief for certain instruments executed before 28 July 2000), omit subsection (1)(b).

Land in disadvantaged areas

- 4 (1) Sections 92 to 92B of, and Schedule 30 to, FA 2001 (exemption for land in disadvantaged areas) are repealed.
- (2) In consequence of the provision made by sub-paragraph (1), omit the following provisions—
 - (a) in FA 2002, section 110;
 - (b) in Schedule 9 to FA 2005, paragraphs 2, 3 and 5;
 - (c) in Schedule 1 to CTA 2010, paragraph 366.
- (3) Despite the repeal of section 92 of FA 2001, any regulations made under subsection (4) of that section continue to have effect for the purposes of section 72DA of the Insolvency Act 1986 (exception from prohibition of appointment of administrative receiver in respect of urban regeneration projects).

Leases granted by registered social landlords

- 5 (1) In Part 5 of FA 2003 (stamp duty), the following provisions are repealed –
- (a) section 128 (exemption of certain leases granted by registered social landlords),
 - (b) section 129 (relief for certain leases granted before section 128 had effect), and
 - (c) in section 130 (registered social landlords: treatment of certain leases granted between 1 January 1990 and 27 March 2000), subsections (3) to (6) and (9).
- (2) In consequence of the provision made by sub-paragraph (1), in Schedule 4 to the Commissioners for Revenue and Customs Act 2005, omit paragraphs 125 to 127.

Application and transitional provision

- 6 (1) The amendments made by paragraphs 1, 2, 3(1), 4 and 5(1)(a) of this Schedule have effect in relation to instruments executed on or after 6 April 2013.
- (2) The amendments made by –
- (a) paragraphs 3(2) and 5(1)(b) of this Schedule, and
 - (b) paragraph 5(1)(c) and (2) of this Schedule, so far as relating to the repeal of section 129 of FA 2003,
- have effect in relation to instruments stamped on or after 6 April 2013.
- (3) The amendments made by paragraph 5(1)(c) and (2), so far as not relating to that repeal, come into force on 6 April 2013.
- (4) This paragraph is subject to paragraph 7.
- 7 The amendments made by paragraph 4 do not have effect in relation to an instrument giving effect to a contract entered into on or before 16 March 2005, unless –
- (a) the instrument is made in consequence of the exercise after that date of any option, right of pre-emption or similar right, or
 - (b) the instrument transfers the property in question to, or vests it in, a person other than the purchaser under the contract, because of an assignment (or, in Scotland, assignation) or further contract made after that date.

EXPLANATORY NOTE

REPEAL OF STAMP DUTY RELIEFS AND EXEMPTIONS

SUMMARY

1. This clause and Schedule repeal certain stamp duty reliefs and exemptions which are no longer necessary, do not meet their policy objective or are distortive.

DETAILS OF THE SCHEDULE

2. Paragraph 1 repeals section 74 of Finance Act (FA) 1960 which provides exemption from stamp duty for transfers of land made in connection with the provision of facilities for visiting forces and allied headquarters.
3. Paragraph 2(1) repeals section 97 of FA 1980, section 108 of FA 1981 and section 54 of FA 1987. Those provisions provide relief from stamp duty for purchases of residential property under shared ownership schemes. Paragraph 2(2) makes consequential amendments.
4. Paragraph 3 repeals section 130 of FA 2000 as well as references to that paragraph elsewhere in the Act. That provision provides relief from stamp duty for transfers of land to registered social landlords.
5. Paragraph 4(1) repeals sections 92 to 92B of, and Schedule 30 to, FA 2001. Those provisions provide relief from stamp duty for purchases of residential property in areas designated as disadvantaged. Paragraph 4(2) makes consequential amendments.
6. Paragraph 4(3) provides for any regulations made under section 92 of FA 2001 to continue to have effect for the purposes of section 72DA of the Insolvency Act 1986.
7. Paragraph 5(1) repeals sections 128, 129 and subsections (3) to (6) and (9) of section 130 of FA 2003. Those provisions provide exemption from stamp duty for certain leases granted by registered social landlords. Paragraph 5(2) makes consequential amendments.
8. Paragraphs 6 sets out the commencement provisions that apply to the amendments made by paragraphs 1 to 5.

9. Paragraph 7 provides that, subject to certain conditions, stamp duty disadvantaged areas relief will continue to apply to the completion of contracts entered into on or before 16 March 2005, when the relief for transfers of commercial land was withdrawn.

BACKGROUND NOTE

10. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over the summer. The Government response to the consultation, published on 6 December 2011, confirmed the abolition of these reliefs.
11. If you have any questions about these changes or comments on the legislation, please contact Jane Ewart on 020 7147 3794 (email: jane.ewart1@hmrc.gsi.gov.uk).