

LAND TRANSACTION TAX

From 1 April 2018, a new Land Transaction Tax (LTT) replaces Stamp Duty Land Tax (SDLT) in Wales. LTT is broadly consistent with SDLT, but also introduces some key changes. Here, we outline these.

Who pays the tax?

LTT is payable by the purchaser of residential or non-residential property in a land transaction occurring in Wales from 1 April 2018. For land transactions prior to 1 April 2018 see our factsheet on SDLT.

What is a land transaction?

A transaction will trigger liability to LTT if it involves the acquisition of an interest in land. This will include a simple conveyance of land, such as buying a house, creating a lease or assigning a lease.

LTT is operated by the WRA, and individuals who are liable to the tax must complete and submit an LTT return (see later).

When is the tax payable?

Individuals must send an LTT return and pay the tax due to the WRA within 30 days of the day after completion (or other effective date of the transaction). Penalties and interest may be charged if you fail to file your LTT return or pay the necessary tax within the 30 days after the day of completion.

In some circumstances, buyers are not required to send a LTT return or pay LTT. These include instances where:

- no money has exchanged hands
- a property is left to you and you are not required to make a payment for the transfer of the property
- property ownership is transferred to you as a result of a divorce or the dissolution of a civil partnership
- freehold property has been purchased for less than £40,000
- a new or assigned lease of seven years or more is purchased, and the premium is less than £40,000 and the annual rent is less than £1,000
- a new or assigned lease of less than seven years is purchased, and the amount you pay is less than the residential or non-residential LTT zero rate threshold.

What if my property straddles the Wales-England border?

For cross-border cases, a home buyer will only be required to pay SDLT on the English part of the transaction. An individual may have to also pay LTT to the Welsh Revenue Authority (WRA) for the Welsh part of the transaction.

Proposed LTT rates from 1 April 2018

During the 2018/19 Welsh Draft Budget, Finance Secretary for Wales, Mark Drakeford, outlined new LTT rates, which take effect from 1 April 2018. These are shown in the table below:

Residential (£)

Rate (%)

Non-residential (£)

Rate (%)

Up to 180,000

0

Up to 150,000

0

180,000 - 250,000

3.5

150,000 - 250,000

1

250,000 - 400,000

5

250,000 - 1,000,000

5

400,000 - 750,000

7.5

Over 1,000,000

6

750,000 - 1,500,000

10

Over 1,500,000

Increase in the LTT starting threshold

Unlike SDLT, LTT does not provide any relief for first-time homebuyers in Wales.

However, during the Welsh government's 2018/19 Draft Budget, Finance Secretary for Wales, Mark Drakeford, announced an increase in the starting threshold for LTT from £150,000 to £180,000, effective from April 2018. Mr Drakeford stated that the increase in the starting threshold will help to 'reduce the tax burden for around 24,000 homebuyers' in Wales.

The Welsh government anticipates that, under LTT, around 80% of first-time homebuyers will pay no tax.

If contracts were entered into after 22 November for the purchase of property in Wales, the following conditions will apply:

- Relief can be claimed if completion occurs before 1 April 2018, provided that the conditions for relief are met;
- If the completion occurs on or after 1 April 2018, the transaction will be liable to LTT.

How we can help

If you are planning to enter into an arrangement to purchase land, we can advise you of the precise impact of LTT on the transaction, so do please contact us on 0121 711 2468 or 024 7651 8555.