



Stamp duty reforms on residential property



We're cutting stamp duty for the majority of homebuyers, and making it fairer. The new rules start on 4 December 2014.

This change applies to you if you are buying a home in the UK for over £125,000.

Stamp duty will be cut for 98% of people who pay it. If you're buying a home for less than £937,500, you will pay less stamp duty, or the same.

In Scotland the new rates will apply until 1 April 2015, when the Land and Buildings Transaction Tax replaces stamp duty in Scotland.

Changes

Under the old rules, you would have paid tax at a single rate on the entire property price. Now you will only pay the rate of tax on the part of the property price within each tax band – like income tax.

Under the old rules if you bought a house for £185,000, you would have had to pay 1% tax on the full amount – a total of £1,850. Under the new rules, for the same property you'll pay nothing on the first £125,000 and 2% on the remaining £60,000. This works out as £1,200, a saving of £650.

HMRC has an [online calculator](#) to help you work out how much stamp duty you will have to pay.

Example properties	Tax paid under the old rules	Tax paid under the new rules	Change in amount of tax paid	Effective tax rate you'll pay under the new rules
£125,000 - No stamp duty	No stamp duty	No stamp duty	No stamp duty	No stamp duty
£185,000 - Average Help to Buy home	£1,850	£1,200	Saving: £650	0.7%
£275,000 - Average family home	£8,250	£3,750	Saving: £4,500	1.4%
£510,000 - Average London home	£20,400	£15,500	Saving: £4,900	3.0%
£937,500 - No change in stamp duty	£37,500	£37,500	No change	4.0%
£2,100,000 - Stamp duty increase	£147,000	£165,750	Increase: £18,750	7.9%



These changes do not affect commercial properties.

Stamp duty will be cut for 98% of people who pay it.



The new rates of stamp duty are:

Purchase price of property (£)	New rates paid on the part of the property price within each tax band
0 - 125,000	0%
125,001 - 250,000	2%
250,001 - 925,000	5%
925,001 - 1,500,000	10%
1,500,001 and over	12%

The new rules start on 4 December 2014 – but if you’ve already exchanged on a property you’ll have a choice about whether to use the old or new rules.

Completing your sale on and after 4 December 2014

If you exchange and complete (or in Scotland, settle) your home purchase on or after 4 December you will pay stamp duty under the new rules.

Completed your sale before the 4 December 2014

If you completed on the purchase of your property on or before 3 December 2014, but have not yet filed your stamp duty return, you still have to pay stamp duty under the old rules.

Exchanged on your contract before 4 December 2014

If you exchanged contracts (or in Scotland, concluded missives) before 4 December but complete on or after that date you’ll be able to choose whether the old or new rules apply. In the majority of cases you’ll pay less tax under the new rules.

How to calculate how much you have to pay

If you are in the process of buying a property, generally your solicitor or conveyancer will work out the stamp duty you have to pay.

HMRC also has an [online calculator](#) to help you work out how much you will have to pay.

How to pay stamp duty

This is not changing. As before you will need to submit a stamp duty return and pay what you owe within 30 days of completing on the sale of your property.

You still have to submit a return even if you are not due to pay any stamp duty on the purchase price of your property, unless the property costs less than £40,000.

It is your responsibility to ensure that the return is completed on time, but most people employ a solicitor or a conveyancer to complete the return for them.

On receipt of a valid stamp duty return, HMRC issues a certificate which allows you to register your title to the property at the Land Registry, or in Scotland at the Registers of Scotland.

