

Land Transaction Tax

With the implementation of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act ('the LTT Act'), as at the 1st April 2018, Land Transaction Tax ('LTT') will apply to land transactions in Wales. The changes will affect those purchasing or leasing land in Wales from this date onwards and prospective purchasers or tenants need to consider how the changes could affect them.

What does the implementation of LTT mean?

LTT will replace Stamp Duty Land Tax ('SDLT') in Wales and SDLT will no longer apply to land transactions from April 2018.

Whilst the LTT broadly replicates SDLT, it will be managed and collected by the Welsh Revenue Authority and the LTT Act makes provisions for setting new rates and bands for both residential and commercial transactions. The Welsh Assembly announced a number of changes to tax rates and bands as outlined below.

What are the changes?

Residential Property Transactions

- The zero rated threshold will increase to £180,000.00, which is £55,000.00 higher than the current starting threshold under SDLT.
- The Welsh Government have stated that around 90% of homebuyers in Wales will pay the same or less residential rated tax than they would if the SDLT rules still applied.
- There will be a new threshold for transactions where the consideration falls between £400,000.01 - £750,000.00, as shown in the below table, as well as increases to the tax rates that fall within the middle brackets; meaning an increase in tax payable on the more expensive transactions.
- The top rated bracket for transactions above £1.5 million will remain unchanged.

Price Bracket	% Tax Rate
Up to £180,000.00	0%
£180,000.01 - £250,000.00	3.5%
£250,000.01 - £400,000.00	5%
£400,000.01 - £750,000.00	7.5%
£750,000.01 - £1,500,000.00	10%
£1,500,000.01 +	12%

Where a purchaser has 2 or more properties

The starting rate under the LTT is set at the same rate as SDLT at an additional 3%. However, there is the increase in the starting threshold and the addition of the £400,000.01-£750,000.00 band to take into account when calculating LTT due.

Price Bracket	% Tax Rate
Up to £180,000.00	3%
£180,000.01 - £250,000.00	6.5%
£250,000.01 - £400,000.00	8%
£400,000.01 - £750,000.00	10.5%
£750,000.01 - £1,500,000.00	13%
£1,500,000.01 +	15%

Commercial Property Transactions

- Under the LTT regime, a final threshold for transactions with a value exceeding £1 million has been added. LTT introduces a 6% tax rate for transactions that exceed £1 million, in contrast to the SDLT rate of 5%. This increase could see sizeable differences in tax due under LTT and will need to be considered by purchasers of land exceeding £1 million.
- A purchaser will benefit from a tax saving once LTT is introduced if the price of a transaction is relatively low, falling between £150,000.01 and £250,000.00, as the tax due will be set at 1% as opposed to the current 2% under SDLT.

Price Bracket	% Tax Rate
Up to £150,000.00	0%
£150,000.01 - £250,000.00	1%
£250,000.01 - £1,000,000.00	5%
£1,000,000.01+	6%

Mixed Use Transactions

The Welsh Government have confirmed that non-residential rates will also apply to mixed use properties comprising of both residential and commercial elements.

Leasehold Transactions – Commercial Property

Where rent is paid pursuant to a lease for a commercial or mixed use leasehold property, LTT will be due on the Net Present Value of the rent in accordance with the below rates. Like SDLT, the Net Present Value is calculated using the lease term and rent due over the initial 5 year period.

Price	% Tax Rate
Up to £150,000.00	0%
£150,000.01 - £2,000,000.00	1%
£2,000,000.01+	2%

LTT will be due on any premium paid for the lease as set out below.

Price	% Tax Rate
Up to £250,000.00	1%
£250,000.01 - £1,000,000.00	5%
£1,000,000.01+	6%

Going forward

It is imperative that potential purchasers are aware of the applicable LTT that will apply from the 1st April 2018 in Wales, in order to consider the cost implications of any current or potential transactions or future development plot sales and to ensure they and their customers can plan accordingly.

