

UK Budget 2021

UK Residential Property Investor Impact

(Handout Notes)

Budget Provisions Announced:

1. **Personal Allowances** (for UK residents and non-resident UK citizens) for Income Tax is increased on 6 April 2021 to £12,570 and **frozen until 5 April 2026**.
2. Basic rate (20%) band for income tax is increased to £37,700 (from £37,500) on 6 April 2021 and frozen until 5 April 2026.
3. Higher rate (40%) threshold increased to £50,270 (from £50,000) on 6 April 2021 and frozen until 5 April 2026.
4. Additional rate (45%) remains on profits over £150,000.
5. Capital Gains Tax ("CGT") annual exemption is increased to £12,570 (£6,150 for trustees) on 6 April 2021 and frozen until 5 April 2026.
6. CGT rate remains at 28% (18% lower rate) **for now but Tax Policy consultation to be released 23 March 2021 could suggest changes**.
7. Inheritance Tax ("IHT") Nil Rate Band of £325,000 and the residence nil rate band of £175,000 remain the same and are frozen until 5 April 2026.
8. IHT is payable on death on the net value of the property over and above the Nil Rate Band, at the rate of 40%, subject to a spouse exemption, if applicable.
 - a. *There could be changes in the 23 March Tax Policy consultation.*
9. **Government to guarantee 95% first time buyer mortgages** for property up to £600,000.
10. **Corporation Tax rate increased from 19% to 25% from 6 April 2023** for companies owning rental properties with net profits over £250,000.
 - a. 19% rate will still apply on profits up to £50,000 and tapered rate from profits between £50,001 to £249,999.
 - b. Doesn't apply to closely held investment holding companies;
 - c. Company existing for the purposes of investing in land or interests in land and buildings where the land (or building) is let, is not a closely held investment holding company;

- d. [see https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm60740](https://www.gov.uk/hmrc-internal-manuals/company-taxation-manual/ctm60740) .
11. **Extension of Stamp Duty Land Tax (“SDLT”) Holiday** to 30 June 2021 with tapered relief to 30 September 2021.
12. **Non-UK resident buyer SDLT penalty charge of 2%** comes into effect on 6 April 2021.
- a. All non-UK resident buyers will pay a penalty 2% SDLT on top of whatever SDLT is chargeable on the purchase.
 - b. Applies to all non-UK resident Individuals, Trustees and Companies.
 - c. Definition of non-UK resident is not having lived in the UK for at 183 days in the 364 days prior to purchase; *not same as Statutory Residence Test*.
 - d. This also applies to UK companies controlled by non-UK resident shareholder.
 - e. See Part 4 Schedule 9A FA 2003:
<https://www.gov.uk/government/publications/new-rates-of-stamp-duty-land-tax-for-non-uk-residents-from-1-april-2021/new-rates-of-stamp-duty-land-tax-for-non-uk-residents-from-1-april-2021>

SUMMARY:

Buyers of UK property on or before 30 June 2021 can still save up to £15,000 per property.

Properties purchased between 1 July and 30 September 2021 can save a maximum of £2,500 per property.

SDLT Rates revert back to normal from 1 October 2021.

Non-UK resident buyers can still benefit from these rates, but from 1 April 2021 have to pay an additional 2% penalty charge on top.

The old SDLT rates pre 8 July 2020 will revert for UK residents on 1 October 2021.

For a non-UK resident individual buying an additional property or a non-UK company, the saving if complete purchase by 31 March 2021 is up to £25,000 per property compared to rates on 1 October 2021.

THE DETAIL: Stamp Duty Land Tax (SDLT) Holiday:

SDLT holiday £500,000 nil rate band exemption is extended to 30 June 2021 (completion date), with **no SDLT** payable on a first property purchased for £500,000 or less.

For additional properties, the SDLT is 3% on the first £500,000; maximum SDLT of £15,000 (normal rates is £30,000).

Exemption is then reduced to the first £250,000 for purchases completing between 1 July and 30 September 2021.

Exemption is finally reduced to the normal value for purchases completing on after 1 October 2021 of £125,000.

2% SDLT Penalty Charge for non-UK resident buyers announced last year applies to all purchases from 1 April 2021 (completion date).

For a first-time buyer of a £500,000 UK residential property with no property owned anywhere else in the world, by self or spouse, SDLT is as follows:

Before 31 March 2021:

The full £500,000 of value is SDLT free to all, making a saving of £15,000 against normal rates. / No discrimination for overseas investors.

Purchase Price Bands (£)	Rate (%)	SDLT (£)
Up to £500,000	0	0
£500,000 to £925,000	5	0
£925,000 to £1,500,000	10	0
Over £1,500,000	12	0
Total SDLT Due		0

1 April to 30 June 2021:

£500,000 remains tax free to UK residents, extending the £15,000 saving against normal rates. / Non-UK residents will pay 2% (max £10,000) on up to £500,000. Still a £5,000 saving against normal rates.

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £500,000	0	0	2	10,000
£500,000 to £925,000	5	0	5	0
£925,000 to £1,500,000	10	0	10	0
Over £1,500,000	12	0	12	0
Total SDLT Due		0		10,000

1 July 2021 to 30 September 2021:

For UK residents, the first £250,000 is tax free and next £250,000 is at 5% (£12,500), giving a £2,500 saving against normal rates.

For non-UK residents, the first £250,000 is at 2% (£5,000) and next £250,000 is at 7% (£17,500) being £7,500 over normal rates and £10,000 more than a UK resident.

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £250,000	0	0	2	5,000
£250,000 to £925,000	5	12,500	7	17,500
£925,000 to £1,500,000	10	0	12	0
Over £1,500,000	12	0	14	0
Total SDLT Due		12,500		22,500

From 1 October 2021:

For UK residents, first £125,000 is tax free, next £125,000 is at 2% (£2,500) and remaining £250,000 is at 5% (£12,500). Back to pre SDLT holiday normal rates.

For non-UK residents, first £125,000 is at 2% (£2,500), next £125,000 is at 4% (£5,000) and remaining £250,000 is at 7% (£17,500) being £10,000 more than UK residents.

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £125,000	0	0	2	2,500
£125,000 to £250,000	2	2,500	4	5,000
£250,000 to £925,000	5	12,500	7	17,500
£925,000 to £1,500,000	10	0	12	0
Over £1,500,000	12	0	14	0
Total SDLT Due		15,000		25,000

For additional / Company owned properties

Where the buyer (or spouse) already owns at least one other property somewhere in the world or is a Company.

Before 31 March 2021:

SDLT at 3% is due on the full £500,000 (£15,000).

This is a £25,000 saving against future 1 October 2021 rates (£40,000) for overseas investors.

No discrimination for overseas investors.

Purchase Price Bands (£)	Rate (%)	SDLT (£)
Up to £500,000	3	15,000
£500,000 to £925,000	8	0
£925,000 to £1,500,000	13	0
Over £1,500,000	15	0
Total SDLT Due		15,000

1 April to 30 June 2021:

For UK resident individuals or Companies, £500,000 remains at 3% (£15,000); still a £15,000 saving on future rates (£30,000).

Non-UK resident individuals or Companies will pay 5% (£25,000) on the full £500,000, being £10,000 more than UK residents, but still a £15,000 saving against future rates (£40,000).

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £500,000	3	15,000	5	25,000
£500,000 to £925,000	8	0	10	0
£925,000 to £1,500,000	13	0	15	0
Over £1,500,000	15	0	17	0
Total SDLT Due		15,000		25,000

1 July 2021 to 30 September 2021:

For UK resident individuals or Companies, the first £250,000 is at 3% (£7,500) and next £250,000 is at 8% (£20,000). Still a £2,500 saving against normal rates.

For non-UK residents, the first £250,000 is at 5% (£12,500) and next £250,000 is at 10% (£25,000) being £7,500 over normal rates and £10,000 more than a UK resident, but still a £2,500 saving on future rates.

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £250,000	3	7,500	5	12,500
£250,000 to £925,000	8	20,000	10	25,000
£925,000 to £1,500,000	13	0	15	0
Over £1,500,000	15	0	17	0
Total SDLT Due		27,500		37,500

From 1 October 2021:

For UK resident individuals or companies, the first £125,000 is at 3% (£3,750), the next £125,000 is at 5% (£6,250) and the remaining £250,000 is at 8% (£20,000). Back to pre SDLT holiday normal rates of £30,000.

For non-UK resident individuals or companies, the total SDLT on the £500k property is now £40,000. The first £125,000 is at 5% (£6,250), the next £125,000 is at 7% (£8,750) and the remaining £250,000 is at 10% (£25,000) being £10,000 more than the old rates.

	UK Resident	UK Resident	Non-UK Resident	Non-UK Resident
Purchase Price Bands (£)	Rate (%)	SDLT (£)	Rate (%)	SDLT (£)
Up to £125,000	3	3,750	5	6,250
£125,000 to £250,000	5	6,250	7	8,750
£250,000 to £925,000	8	20,000	10	25,000
£925,000 to £1,500,000	13	0	15	0
Over £1,500,000	15	0	17	0
Total SDLT Due		30,000		40,000

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