



# DENTAL & MEDICAL

## FINANCIAL SERVICES

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## Understanding Stamp Duty?

A simple guide and the numbers you need to know

Stamp Duty, or to give it its full name, Stamp Duty Land Tax, is a tax that applies to purchasing houses, flats, and other land and buildings in the UK that exceed a certain price threshold. In England and Northern Ireland, Stamp Duty applies to residential house purchases, and if you're considering purchasing a non-residential asset, you'll still need to calculate the Stamp Duty amount.

However, if you're buying property or land in Scotland, you won't be subject to Stamp Duty. Instead, you'll be required to pay the Land and Buildings Transaction Tax. Similarly, if you purchased a property in Wales on or after 1 April 2018, you will be subject to the Land Transaction Tax.

### Who pays Stamp Duty?

The threshold for paying Stamp Duty on residential properties begins at £250,000 unless you're a first-time buyer and qualify for relief. If you fall into the category of first-time buyers, you're exempt from this tax on properties costing up to £425,000. Furthermore, you'll enjoy a reduced rate on purchases up to £625,000. This applies to both freehold and leasehold properties, irrespective of whether you're buying outright or with a mortgage.

### Calculating Stamp Duty

So, how much exactly is Stamp Duty? This tax operates on a sliding scale, with several rate bands. The tax is calculated based on the portion of the property purchase price that falls within each band. For your main property costing more than £250,000, Stamp Duty will apply unless you're a first-time buyer.

### Stamp Duty on second homes

The rules change if you buy an additional property, such as a second home. In this case, you'll pay an extra 3% in Stamp Duty on top of the standard rates. This increased rate applies to properties purchased for £40,000 or more. However, it's worth noting that this does not apply to caravans, mobile homes or houseboats.

### Stamp Duty rates

Minimum property purchase price	Maximum property purchase price	Stamp Duty rate
£0	£250,000	0%
£250,000	£925,000	5%
£925,000	£1,500,000	10%
Over £1.5 million	-	12%
Minimum property purchase price	Maximum property purchase price	Stamp Duty rate <i>(Only applies to the part of the property price falling within each band)</i>
£0	£250,000	0%
£250,001	£925,000	8%
£925,001	£1.5 million	13%
Over £1.5 million	-	15%

### First-time buyers and Stamp Duty relief

If you're a first-time buyer in England or Northern Ireland, you're exempt from Stamp Duty on properties valued up to £425,000.

### Property price caps

For properties costing up to £625,000, you'll pay no Stamp Duty on the first £425,000. The remaining amount, up to £200,000, will be taxed at the relevant rate of 5%. If the property you're buying is worth over £625,000, you will need to pay the standard rates of Stamp Duty and won't qualify for first-time buyer's relief.

### Stamp Duty for non-residents

Non-UK residents purchasing a residential property in England or Northern Ireland may have to pay an additional 2% on top of the existing Stamp Duty rates for properties costing more than £40,000.

### Repayment of higher rates

In some instances, where you buy a new main residence but experience a delay in selling

your previous main residence, you might have to pay the higher rates of Stamp Duty as you'll now own two properties.

However, if you sell your previous main home within three years of buying your new home, you can apply for a refund of the higher Stamp Duty rates you paid when you purchased your new home. This refund is obtainable if you sell your previous main residence within three years and claim the refund within 12 months of the sale or 12 months of your Stamp Duty tax return filing date, whichever comes later.

Please note that these taxes and their respective thresholds are subject to change. ■

### Want to discuss your homeownership options?

For more insights or assistance, don't hesitate to contact us. We're here to help you navigate through your homeownership journey, lease contact us.