



# Finance Act 2006

## 2006 CHAPTER 25

### PART 8

#### STAMP TAXES

##### *Stamp duty and stamp duty land tax: thresholds*

#### **162 Raising of thresholds**

- (1) In section 55 of FA 2003 (amount of stamp duty land tax chargeable: general) in subsection (2) (calculation of percentage of chargeable consideration), in Table A (bands and percentages for residential property), for “£120,000”, in both places, substitute “£125,000”.
- (2) In Schedule 5 to FA 2003 (stamp duty land tax: amount of tax chargeable: rent), in paragraph 2(3) (calculation of tax chargeable in respect of rent), in Table A (bands and percentages for residential property), for “£120,000”, in both places, substitute “£125,000”.
- (3) In Schedule 13 to FA 1999 (stamp duty: instruments chargeable and rates of duty), in paragraph 4 (bands and percentages for conveyance or transfer on sale of property other than stock or marketable securities), for “£120,000”, in both places, substitute “£125,000”.
- (4) The amendments made by subsections (1) and (2) have effect in relation to any transaction of which the effective date (within the meaning of Part 4 of FA 2003) is after 22nd March 2006.
- (5) The amendment made by subsection (3) has effect in relation to instruments executed after 22nd March 2006.

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*Status: This is the original version (as it was originally enacted).*

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*Stamp duty land tax*

**163 Partnerships**

Schedule 24 (amendments of Schedule 15 to FA 2003) has effect.

**164 Leases**

- (1) In section 77 of FA 2003 (notifiable transactions), for subsection (2A) substitute—
- “(2A) The assignment of a lease is notifiable if there is chargeable consideration for the assignment and either—
- (a) the lease is for a term of seven years or more, or
- (b) the consideration for the assignment is chargeable at a rate of 1% or higher, or would be so chargeable but for a relief.”
- (2) In Schedule 5 to FA 2003 (amount of tax chargeable: rent), in paragraph 3 (net present value of rent payable over term of lease), for “in year i” substitute “in respect of year i”.
- (3) Subsection (1) has effect in relation to any assignment of which the effective date (within the meaning of Part 4 of FA 2003) is on or after the day on which this Act is passed.
- (4) Subsection (2) has effect in relation to any lease granted or treated as granted on or after that day.
- (5) Schedule 25 (amendments of Schedule 17A to FA 2003) has effect.

**165 Reallocation of trust property as between beneficiaries**

- (1) In Schedule 16 to FA 2003 (trusts and powers), after paragraph 7 insert—

*“Reallocation of trust property as between beneficiaries*

8           Where—

- (a) the trustees of a settlement reallocate trust property in such a way that a beneficiary acquires an interest in certain trust property and ceases to have an interest in other trust property, and
- (b) the beneficiary consents to ceasing to have an interest in that other property,

the fact that he gives consent does not mean that there is chargeable consideration for the acquisition.”

- (2) Subsection (1) has effect in relation to any acquisition of which the effective date (within the meaning of Part 4 of FA 2003) is on or after the day on which this Act is passed.

**166 Unit trust schemes**

- (1) Part 4 of FA 2003 (stamp duty land tax) is amended as follows.
- (2) Omit section 64A (initial transfer of assets to trustees of unit trust scheme).
- (3) In section 101 (unit trust schemes)—

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*Status: This is the original version (as it was originally enacted).*

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- (a) in subsection (1) (application of Part (except for provisions mentioned in subsection (7)) to unit trust schemes) for “provisions” substitute “provision”, and
  - (b) in subsection (7) (provisions for the purposes of which unit trust schemes not to be treated as companies) omit from “section 53” to “companies), or”.
- (4) This section has effect in relation to any land transaction of which the effective date is, or is after, 22nd March 2006 (but see subsections (5) and (6)).
- (5) This section does not have effect in relation to—
- (a) any land transaction which is effected in pursuance of a contract entered into and substantially performed before 2 p.m. on 22nd March 2006 (“the relevant time”), or
  - (b) any other land transaction which is effected in pursuance of a contract entered into before the relevant time and which is not an excluded transaction.
- (6) For this purpose, a land transaction effected in pursuance of a contract is an excluded transaction if—
- (a) any provision of the contract has effect by reference to a unit trust scheme and the scheme is not established before the relevant time,
  - (b) at or after the relevant time the contract is varied in a way that significantly affects the land transaction (see subsection (7)),
  - (c) the subject-matter of the land transaction is not identified in the contract in a way that would have enabled its acquisition before the relevant time,
  - (d) rights under the contract are assigned at or after the relevant time,
  - (e) the land transaction is effected in consequence of the exercise, at or after the relevant time, of any option, right of pre-emption or similar right, or
  - (f) at or after the relevant time there is an assignment, subsale or other transaction (relating to the whole or part of the contract’s subject-matter) as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance to him.
- (7) For the purposes of subsection (6)(b) the contract is varied in a way that significantly affects the land transaction if (and only if)—
- (a) it is varied so as to substitute a different purchaser in relation to the land transaction,
  - (b) it is varied so as to alter the subject-matter of the land transaction, or
  - (c) it is varied so as to alter the consideration for the land transaction.
- (8) Expressions which are used in Part 4 of FA 2003 and in this section have the same meaning in this section as in that Part.

## **167 Demutualisation of insurance companies**

- (1) Schedule 7 to FA 2003 (stamp duty land tax: group relief etc) is amended as follows.
- (2) In paragraph 2 (restrictions on availability of group relief) in sub-paragraph (1) (no relief if arrangements by virtue of which a person has or could have control of purchaser but not vendor) at the end insert—
- “For another exception to this, see sub-paragraph (3A).”.

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*Status: This is the original version (as it was originally enacted).*

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- (3) In that paragraph after sub-paragraph (3) (arrangements which are within sub-paragraph (2)(a)) insert—
- “(3A) Sub-paragraphs (1) and (2)(b) do not apply to arrangements in so far as they are for the purpose of facilitating a transfer of the whole or part of the business of a company to another company in relation to which—
- (a) section 96 of the Finance Act 1997 is intended to apply (stamp duty relief: demutualisation of insurance companies), and
- (b) the conditions for relief under that section are intended to be met.”.
- (4) In paragraph 4 (cases in which group relief not withdrawn under paragraph 3)—
- (a) after sub-paragraph (6) (the third case where the relief not withdrawn) insert—
- “(6A) The fourth case is where—
- (a) the purchaser ceases to be a member of the same group as the vendor as a result of the transfer of the whole or part of the vendor’s business to another company (“the acquiring company”) in relation to which—
- (i) section 96 of the Finance Act 1997 applies (stamp duty relief: demutualisation of insurance companies), and
- (ii) the conditions for relief under that section are met, and
- (b) the purchaser is immediately after that transfer a member of the same group as the acquiring company.”, and
- (b) in sub-paragraph (7) (re-imposition of the withdrawal of the relief), in the opening words, after “in a case within sub-paragraph (6)” insert “or (6A)”.
- (5) The amendments made by this section have effect in relation to any transfer which takes place, or is intended to take place, after 22nd March 2006.

## 168 Alternative finance

- (1) In sections 71A to 73 of FA 2003 (alternative property finance) for “individual” substitute “person” (and for “an individual” substitute “a person”).
- (2) Sections 71A(6), 72(6), 72A(6) and 73(4) shall cease to have effect.
- (3) In section 73(3) after “chargeable” insert “on a chargeable consideration that is not less than the market value of the interest and, in the case of the grant of a lease at a rent, the rent.”
- (4) After section 73 insert—

### “73A Sections 71A to 73: supplemental

Sections 71A to 73 do not apply to arrangements in which the first transaction is exempt from charge by virtue of Schedule 7.”

- (5) This section shall have effect in relation to arrangements in which the effective date of the first transaction (within the meaning of sections 71A to 73 of FA 2003) is on or after the date on which this Act is passed; and section 119(1) of FA 2003 shall have effect for determining the effective date for the purposes of this subsection.

*Stamp duty*

**169 Reliefs for certain company acquisitions**

- (1) Part 3 of FA 1986 (stamp duty) is amended as follows.
- (2) In section 75 (relief for acquisition of target company's undertaking in pursuance of reconstruction scheme)—
  - (a) in subsection (4) (condition as to registered office etc) omit “that the registered office of the acquiring company is in the United Kingdom and”, and
  - (b) in subsection (5)(c) (condition that any shareholder holds the same proportion of shares in the companies) after “the same” insert “, or as nearly as may be the same,”.
- (3) In section 76 (other relief for acquisition of target company's undertaking), in subsection (3) (condition as to registered office etc) omit “that the registered office of the acquiring company is in the United Kingdom and”.
- (4) In section 77 (relief for acquisition of target company's share capital), in subsection (3) (conditions for relief),—
  - (a) omit paragraph (a) (condition as to registered office),
  - (b) in paragraph (g) (condition that the number of shares of any particular class bear to all the shares the same proportion) after “the same proportion” insert “, or as nearly as may be the same proportion,”, and
  - (c) in paragraph (h) (condition that proportion of shares of any particular class held by any shareholder be the same) after “the same” insert “, or as nearly as may be the same,”.
- (5) The amendments made by this section have effect in relation to instruments executed after the day on which this Act is passed.