

LAND TRANSACTION TAX AND ANTI-AVOIDANCE OF DEVOLVED TAXES (WALES) ACT 2017

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 8 – Interpretation and Final Provisions

Schedule 6 - Leases

Part 4 - Agreements for lease, assignments and variations

Agreement to lease

260. [Paragraph 20](#) provides the rules for where there has been an agreement to lease and that agreement has been substantially performed without the lease having been executed.
261. Where the agreement to lease has been substantially performed the agreement is treated as a notional lease with the effective date of the transaction being the date of substantial performance. If an actual lease is subsequently granted then the notional lease and the actual lease are treated as forming a single lease, with the consideration given for both charged to tax accordingly.
262. The actual grant of the lease is disregarded except for its effect under the linked transaction rules.

Assignment of agreement for lease

263. [Paragraph 21](#) makes special provision to ensure paragraph 20 still gives the right effect where an interest as tenant under an agreement for lease is assigned.

Cases where assignment of lease treated as grant of lease

264. [Paragraph 22](#) provides for cases where the assignment of a lease is to be treated as a grant, to address possible tax avoidance activity. Where a lease has been granted and specified reliefs applied, then (unless those reliefs had already been withdrawn) the first assignment to which the specified reliefs do not apply is treated as a grant of a lease. The lease is treated as granted for a period that represents the remaining unexpired term of the lease at the date of assignment.

Assignment of lease

265. [Paragraph 23](#) applies where a lease is assigned. Where specified obligations would require the person initially granted the lease to make a return or further return, those obligations pass to the assignee.

Reduction of rent or term or other variation of lease

266. [Paragraph 24](#) provides for cases where a lease is varied so that the amount of rent reduces, or the lease is otherwise varied (other than an extension of the term or an increase in the rent payable). In such cases the variation is treated as a land transaction on which LTT is potentially payable by the tenant. Where the variation is that the term of the lease is reduced this is treated as an acquisition of a chargeable interest by the landlord and LTT may be payable.

Increase of rent treated as grant of new lease: variation of lease in first 5 years

267. [Paragraph 25](#) provides for situations where the lease is varied so as to increase the rents payable, and that variation occurs before the end of the fifth year of the lease. The variation is treated as the grant of a lease in consideration for the additional rents. However, this does not apply if the variation is under the original terms of the lease, or by virtue of specified statutory rules.