

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

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 8 – Interpretation and Final Provisions**

#### *Schedule 15 - Treatment of certain transactions relating to social housing*

#### **Part 3 - Shared ownership leases**

#### **Shared ownership lease relief: election for market value treatment**

346. [Part 3](#) of the Schedule makes provision for the treatment of shared ownership leases for the purposes of LTT. A shared ownership lease is intended to cover any lease which is granted by a “qualifying body”; or in pursuance of the preserved right to buy. (Paragraph 9 provides for interpretation and defines key terms referred to in this part of the Schedule.)
347. [Paragraph 3](#) makes provision for a buyer to make an election for LTT to be calculated by reference to the market value of the dwelling rather than the consideration given on the grant of the shared ownership lease, subject to the conditions at sub-paragraph (2) being satisfied. Sub-paragraph (3) provides that the election is irrevocable and therefore, the buyer cannot at a later date amend the return to withdraw the election after it has been submitted.
348. [Paragraph 4](#) provides that the transfer of the reversion to the tenant under the terms of a lease to which paragraph 3 applies, is relieved from LTT where an election was made under that paragraph and LTT paid accordingly.
349. [Paragraph 5](#) provides for the treatment of LTT in relation to certain types of shared ownership leases where staircasing provisions are included in the lease, which allow the estate or interest (such as the freehold) to be purchased in stages. The provisions here allow for an irrevocable election to be made for LTT to be calculated by reference to the minimum rent and the premium obtainable on the open market, subject to the conditions specified at sub-paragraph (2) being met.
350. [Paragraph 6](#) ensures that when a shared ownership lease is granted and an election was made under paragraph 3 or paragraph 5 of this Schedule, if the tenant acquires any additional interest, that acquisition is relieved from tax provided all LTT has been paid. In addition, paragraph 6 relieves a transaction where the acquisition does not result in the tenant’s share of the dwelling exceeding 80%.
351. [Paragraph 7](#) provides that the grant of a shared ownership lease is not linked to any additional acquisition which the tenant may make to which paragraph 6 applies. A

*These notes refer to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (c.1) which received Royal Assent on 24 May 2017*

transfer of the reversion to the tenant is also not linked to the grant of a shared ownership lease.

### **Rent to shared ownership lease: charge to tax**

352. [Paragraph 8](#) sets out how to determine the chargeable consideration for transactions involving “rent to shared ownership lease” schemes. A “rent to shared ownership lease scheme” is defined at sub-paragraph (2) as one in which a qualifying body grants an occupation contract to a tenant(s) and subsequently grants a shared ownership lease of the dwelling to one or more of them. Sub-paragraph (3) provides that transactions in connection with the scheme are not treated as linked to each other. Sub-paragraph (4) provides that the tenant’s possession of the dwelling under an occupation contract is disregarded in determining the effective date of the grant of the shared ownership lease. Sub-paragraph (5) defines occupation contract in accordance with the meaning attributed to it in Part 2 of the Renting Homes (Wales) Act 2016.