

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 69: Sdlt: Multiple Dwellings Relief

Summary

1. This section provides for relief to be claimed in respect of superior interests in dwellings subject to a long lease, where the transaction is the lease element of a “lease and leaseback” funding arrangement entered into by a housing association or other qualifying body. The measure will apply to leases granted on or after the day on which Finance Act 2015 receives Royal Assent.

Details of the Section

2. Subsection (1) of the section provides that paragraph 2(6) of Schedule 6B to Finance Act 2003 (multiple dwellings relief: transactions to which Schedule applies) does not apply where the conditions set out in the subsection are met.
3. Subsection (2) provides for commencement.

Background Note

4. SDLT multiple dwellings relief (MDR) applies to reduce the amount of SDLT payable where interests in more than one dwelling are acquired in a single transaction or in linked transactions.
5. From 4 December 2014 the relief operates by calculating the tax due on an amount of consideration obtained by dividing the total consideration given for dwellings by the number of dwellings and then multiplying this amount of tax by the number of dwellings. This is subject to a minimum amount of tax equivalent to 1% of the total consideration given for dwellings.
6. MDR excludes interests in dwellings which are superior interests (usually the freehold or a headlease) over dwellings subject to a lease granted for more than 21 years. This means that relief is not available for acquisitions of “ground rents”: that is, freehold reversions of blocks of flats let on long leases.
7. Housing associations and similar bodies may wish to enter into funding arrangements with investors in order to secure funds for development of new social rented or shared ownership housing. One such arrangement is a “lease and leaseback”, under which the housing body grants a long lease of its existing freehold housing stock to an investor for a premium, and the investor then leases it back to the housing body for a term of years at a market rent. In this way the housing body receives a capital sum for development and continues to manage the properties, while the investor receives an income stream.
8. Under a “lease and leaseback” arrangement, the “leaseback” element will generally qualify for SDLT sale and leaseback relief under section 57A Finance Act 2003. The “lease” element will generally qualify for MDR in respect of dwellings let on periodic

*These notes refer to the Finance Act 2015 (c.11)
which received Royal Assent on 26 March 2015*

tenancies or assured shorthold tenancies but not in respect of dwellings subject to shared ownership leases, because these are long leases.

9. The purpose of this measure is to allow MDR to apply to leases of shared ownership property to an investor as part of a “lease and leaseback” arrangement entered into by housing bodies which are “qualifying bodies” for the purposes of the SDLT shared ownership provisions in Schedule 9 Finance Act 2003. This will reduce the cost of entering into these arrangements for investors and these housing bodies.