

Budget for that Property 2006

Anyone involved in land transactions would have been paying close attention to the chancellor's budget. A summary of changes and/or proposals are listed below:

- SDLT threshold for residential property

No tax will be chargeable on transactions in residential property if the consideration does not exceed £125,000 (increased from last years £120,000 limit) where the effective date is on or after 23 March 2006. Tax will be payable at 1% if the consideration exceeds £125,000 but does not exceed £250,000.

- Withdrawal of unit trusts "seeding relief"

As was expected "seeding relief" which gives relief from SDLT when property was transferred into a newly formed trust in consideration for the issue of shares, provided that after that transfer the transferor was the only unit holder, has been abolished.

From 22 March 2006 all transfers of UK real estate to unit trusts will now be subject to SDLT charge by reference to the market value of the property at the time of the transfer.

- SDLT – Simplification and clarification of the Law

As a measure to simplify and clarify the law relating to SDLT a number of changes will be made. Significantly:

The following transactions will not be 'chargeable considerations' falling within the charge to SDLT:

- where the donee or beneficiary agrees or is required to pay capital gains tax or inheritance tax arising on a gift of property;
- the payment of a landlord's reasonable costs on the grant, variation or termination of a lease;
- a covenant by an agricultural tenant to assign entitlement to the Single Farm Payment to the landlord on termination of the tenancy.

Other amendments include:

- Partnerships: where the main activity of the partnership is the carrying on of a trade (other than a trade of dealing in or developing land) or a profession, SDLT will no longer be chargeable where there is a transfer of an interest in a partnership if the partnership owns land.
- Problems and uncertainty associated with 'successive linked leases' will not apply where an agreement for lease is followed by the grant of a lease.
- the rules on variations in rent will be simplified, any rent increases after the first five years of the lease can be disregarded when calculating SDLT on the NVP of rents.
- The formula used to determine what is an 'abnormal increase' will also be simplified.
- The treatment of backdated leases which are expressed to take effect after the expiry of a former lease will be simplified and clarified.
- Where a lease was originally granted for less than seven years, its assignment needs only to be notified where there is SDLT to pay, or if a relief is claimed

- Rewriting the VAT Legislation– Option to Tax

It is intended to re-write the option to tax provisions in Schedule 10 of the VAT Act 1994 into a language that is clearer and more user-friendly. Appeal rights and improvement to practical administration will also be introduced.

- When?

The changes relating to chargeable consideration are effective from 12th April 2006 and all other changes will be introduced from Royal Assent to the Finance Bill 2006.

Here at Bolt Burdon our commercial property department will be only too happy to assist with your commercial property issues. Please contact Sylvia Abaleke at sylviaabaleke@boltburdon.co.uk or on 020 7288 4738. Alternatively, visit our website at www.boltburdon.co.uk

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