

SDLT Compass Client Guide

**THE UK'S ONLY
FULLY COMPREHENSIVE
SDLT CALCULATOR**



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SDLT Compass - your guide to paying the right amount of tax

Why is my conveyancer using Compass?

Compass is currently the UK's only accurate SDLT assessment tool and calculator designed to ensure that you pay exactly the right SDLT on your purchase - not too much and not too little.

As transaction details are entered into Compass it identifies the necessary additional information needed to ensure your conveyancers do not overlook valid reliefs, and ensures the the correct rate of SDLT is applied to your purchase.

Without Compass your conveyancer would have to navigate through this minefield unaided, but Compass shows them the right direction to take to get the right result for you, every time. Saving you money and risk.

Before Compass was launched, conveyancers have had to guess the best way to assess the tax. In fact, we have seen property buyers overpay about £2 billion a year in overpaid tax in the past.



What is SDLT?

The old 'Stamp Duty' stamped on documents was abolished in 2003 and replaced by Stamp Duty Land Tax (or 'SDLT' for short).

Although having a similar name, SDLT is in fact much a more complex tax with different rates depending on the type of property, the price paid, whether buyers already own other property, their residence status, whether there have been previous purchases from the same seller, or any 'connection' with the seller, or previous deals with them or any of their family or associates.

The Residential Tax Rates

Basic rates payable

0% The Zero Rate - up to £250,000 (or if a relief or exemption applies)

1% The minimum rate where Multiple Dwelling Relief is claimed

5% The next £675,000 up to £975,000 for wholly residential property

10% The next £575,000 up to £1.5M for wholly residential property

12% The remaining amount over £1.5M for wholly residential property

Plus possible Additional Rates on top

2% An extra 2% rate is added where the buyer is non-resident in the UK

3% A further 3% is also added where buyers already own other property (e.g. second homes or buy to let)

15% The penalty rate applied to **all** the consideration where a single dwelling is bought by a Company (but there are reliefs available)

17% The highest rate of SDLT - where a non-resident company buys a single dwelling (but there are reliefs available)



The Goldilocks Principle

**Not too much, not too little ..
- Just the right amount of tax!**

Not too little!

Compass gives you peace of mind that you will not risk demands from HMRC for extra tax, interest or penalties.

If your conveyancer uses Compass for your purchase, then you will be covered by Compass's insurance against any penalty. Compass will deal with any query or investigation relating to SDLT on your purchase.

Not too much!

No-one has any legal obligation to pay any more tax than they are rightly due to pay under the tax legislation.

However, our research has shown that conveyancers who haven't used Compass have innocently or accidentally overpaid more than £2 billion of SDLT a year in the past.

Why is SDLT so hard to work out?

Although never originally as simple to work out as the old Stamp Duty, the new tax has becoming increasingly complicated over the last 6 or 7 years. There are now 9 rates of tax ranging from 0% to 17% - compared to just 3 before, there are additional rates payable in certain cases and there are at least 50 different tax reliefs/exemptions and exceptions, each of which might reduce the tax. Claiming a relief or exemption could even reduce the tax to zero.

Whereas with the old 'stamp duty' you could generally work out the 'duty on the document' just by looking at the figure on the transfer or conveyance, now the rate and reliefs (and even the amount chargeable to tax) can depend on many factors.

The following factors are just a few of them:

- Who the buyers and sellers are, and whether they are connected,
- Whether all or part of the property is a 'dwelling', and if so how many
- What the property is used for at the moment & what it could be used for
- What other property the buyers own anywhere in the world!

Few of these points needed to be considered before, but now it is essential that they are analysed. Compass makes sure that the right questions are asked and the right tax assessment is made. Compass also complies with your conveyancer's regulatory requirements under the Conveyancing Quality Scheme for an Audit Trail on the tax payable, and an independent verification of the tax payable.

The Compass Analysis Process

1

The Compass Analysis screens

Your conveyancer completes a questionnaire about The Transaction, the Consideration, The Property and The Land. They may need to ask you detailed questions on these points.

2

The Calculation and Analysis

By comparing all the answers and tax tables, Compass analyses the best way to self-assess the Tax.

3

The Result

In most cases Compass will assess the tax and issue an Audit Trail, covered by our indemnity. In some cases it may assess the factors as needing a personal assessment by our tax advisers.

Why can't you rely on the HMRC online calculator for this?

The HMRC online calculator is just a basic calculator. It relies on you to making key decisions on what type of property it is, what the consideration is, what reliefs to apply to the calculation and so on. Even HMRC admit it is only a guide to estimate the tax.

Also, the HMRC calculator will not alert you when you are paying too much SDLT, or suggest any available reliefs.

In contrast, Compass does all this for you, and in fact will compare two or even three different valid ways of assessing a transaction, to give the most tax-efficient result.

Help your conveyancer with the Compass analysis

Compass has a set of four screens that your conveyancer will complete. Each of the questions is tailored to your case as your conveyancer goes through the Compass analysis process.

The following pages of this Client Guide look at these in more detail. Please read the explanation of each screen.

It will help your conveyancer if you can supply them with the sales particulars, and layout plans.

Also, alert them at the outset if there are any

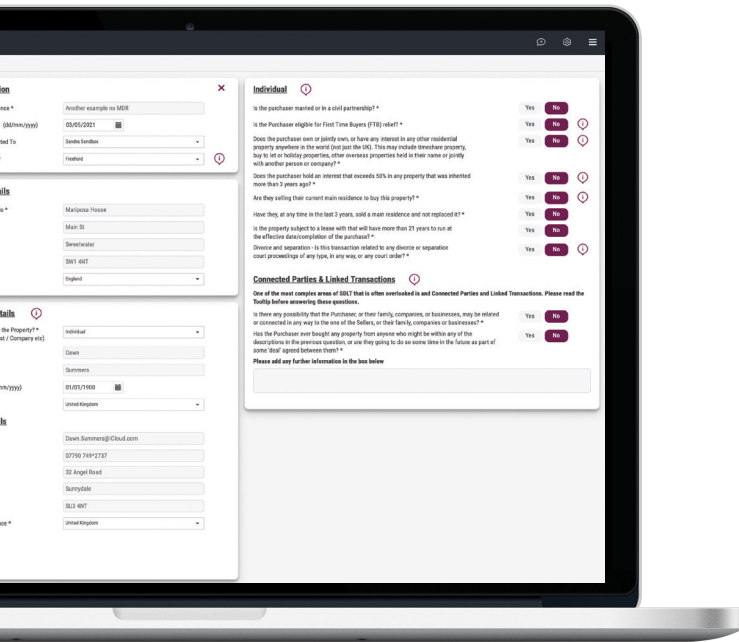
unusual features about the property, your status, any connection between you and the seller, or if the transaction is linked to a series of past or proposed future transactions.

You **MUST** tell your conveyancer if there:

- is any other aspect of the 'deal' not mentioned in the purchase documents;
- are other unusual features involved in the 'deal' that you have agreed with the seller.

These could affect the tax assessment.

Working with your conveyancer



Your conveyancer may need to ask you questions about the factors mentioned on the next two pages in order to ensure Compass assesses the right amount of tax.

It is also worth bearing these points in mind when you are inspecting the property, or asking the seller or the seller's agent questions about it.

COMPASS ANALYSIS

Compass has a set of four screens that your conveyancer will need to complete online after reviewing the documents and speaking to you.

THE TRANSACTION

'The Transaction', is about you, whether you are buying through a company, or as an individual, the type of transaction it is (lease, freehold etc.), your marital situation, what other property you own or your spouse owns and so on. It also looks at the 2% non-residence surcharge on SDLT in England.

THE CONSIDERATION

The tax is generally paid on what is called 'The Consideration' - this is not necessarily the figure on the document or even the value of the property (except in one case - and Compass will work this out for you).

This might also include the value of anything attached to the property that is paid for separately such as kitchen equipment or fittings, whether they are referred to in the transfer or not. In some cases it will even include the value of work you agree to do for the seller as part of the 'deal'.

It may also include any cash paid over direct or not recorded in the contract, or where you pay any VAT on the property, or any of the seller's fees or expenses, if you pay all or part of the seller's debts or mortgage.

The four key factors examined

THE CONSIDERATION (CONT.)

Similarly the taxable amount might be less than the figure on the transfer where the seller offers a discount, or gifts part of the purchase price, or you buy something that is exempt from the tax like mooring rights - Compass will deduct these automatically.

THE PROPERTY

The third screen asks questions about 'The Property'. This important analysis looks at whether it's a 'dwelling' and if so how many 'dwellings' there are, how they should be treated, and then also checks off a whole series of special cases that have to be treated differently.

So expect your conveyancer to ask you questions on matters like:

- Is the property habitable? Is it going to be developed?
- Is there a granny annexe? If so, how much is it worth as a proportion of the cost of the property as a whole?
- Is there more than one 'dwelling' being bought in the deal, and can they be lived in independently?

THE LAND

Finally, the fourth screen asks questions about 'The Land'. Here Compass may assess that you can pay the often lower 'mixed or commercial use' rates of tax on the transaction. These will apply if any part of the property isn't used for wholly residential purposes. This might be because there are unusual arrangements about access rights, grazing, business use of part, and so on.

THE ANALYSIS

Once all the answers have been entered, the expert system in Compass will process them and come up with one of two options:

Low Risk (which will apply most of the time), where your conveyancer can then submit the tax return online, safe in the knowledge they have paid the right amount of tax.

High Risk - which will mean the analysis needs a tax adviser to personally check it, to ensure any potential tax saving identified is correct.

We offer a unique integrated service - within two business days a specialist tax adviser will contact you and your conveyancer to confirm the best tax treatment for the transaction. The additional fee for this will be agreed before any work is carried out.