



# Special Release

## As from 1 December 2003 as a result of the Finance Act 2003, tenants face a dramatic rise in stamp duty

### How will this affect you as tenant?

- You will now be obliged to conform with the reporting requirements prescribed by the Act, namely to fill in a Land Transaction Return and send this to the Inland Revenue and to pay any tax due within thirty days after the due date. The submission of documents to the Stamp Office will no longer be required.
- You will need to sign the Return and then you can authorise us to submit the Return. There are penalties for late Returns and for incorrectly completed forms. A tenant may also be liable to a tax related penalty up to an amount equal to the amount of tax chargeable in respect of a land transaction plus interest. Interest on late payment of tax is currently charged at 5.5% on tax remaining unpaid thirty days after the due date. Interest is also chargeable on the penalty so long as this remains unpaid.
- Unless a Return is accompanied by payment of the tax due the Revenue will not issue a certificate of compliance in respect of such return - without such a certificate H.M. Land Registry will not register a land transaction.
- The Inland Revenue have the power to make assessments within six years of the effective date of a transaction (or twenty-one years in the case of fraud or negligence).
- Stamp Duty is currently charged on the annual average rent depending on the length of the Lease. For a Lease for a term of between seven to thirty-five years, the rate is 2%. After 1 December 2003, duty will be levied on the aggregate rent (plus VAT where applicable) over the full term of the Lease (to be called 'the net present value') discounted by 3.5% per annum and the charged at 1% subject to an exemption for the first £150,000 of the net present value. The charge of 1% is payable on the excess over this amount. This will frequently mean Stamp Duty Land Tax (as this new tax will be called) will be many times greater than under the current regime (see table over page).
- Stamp Duty Land Tax will be more burdensome than Stamp Duty both in terms of compliance and the amount payable. We anticipate that the practical outcome of this will be a reduction in the term lengths of new leases. In any event the new legislation will mean that more time will need to be spent by tenants and solicitors dealing with the new obligations.

Term of Years	Rent (inc VAT)	SDLT	Stamp Duty
1	£ 58,750	Nil	£ 590
3	£ 58,750	£ 145.96	£ 590
5	£ 58,750	£ 1,152.59	£ 590
7	£ 58,750	£ 2,092.29	£ 590
10	£ 58,750	£ 3,386.01	£1,175
10	£176,250	£ 6,457.78	£3,525
10	£352,500	£27,816.03	£7,050
15	£ 58,750	£ 5,266.48	£1,175
15	£176,260	£18,799.44	£3,525
15	£352,500	£39,098.87	£7,050
20	£235,000	£31,899.15	£4,700
25	£235,000	£37,231.56	£4,700

- We are arranging for an on-line calculator for the new tax to be available from our web-site at [www.davenportlyons.com](http://www.davenportlyons.com).

This Special Release is designed to provide a summary of the subject matter. It does not purport to be comprehensive or a substitute for specialist legal advice in individual circumstances.

If you would like any further information on these or any other topics please contact:

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