

The 2014 Budget didn't contain anything too exciting for the real estate sector.

SDLT

There will be disappointment that the Chancellor did not scrap the "cliff-edge" system – higher rates continue to apply to the whole price when a rate band is crossed. This particularly affects the residential market where average prices now sit very near the £250,000 threshold where the rate increases from 1% to 3%.

One notable announcement applies to residential property bought by a company. The special 15% rate of SDLT now applies with immediate effect to properties costing more than £500,000 (previously £2 million). Corresponding changes are being made to the annual tax on enveloped dwellings and to charge CGT on sales by companies. Commercial landlords and developers are generally exempt from these charges.

For charities, the law will be clarified to make it clear that partial SDLT relief is available when a charity and a non-charity jointly purchase a property.

Capital Allowances

The annual investment allowance gives 100% tax relief on investment in qualifying plant and machinery. The annual expenditure limit is increasing to £500,000 until the end of 2015. Intended mainly for manufacturing and other business occupiers, the relief can be claimed by landlords who invest in refurbishing their properties.

Old News

Measures announced last year are now finding their way into legislation. In relation to real estate, these include:

- Reforms to business premises renovation allowances will limit expenditure that qualifies for tax relief. In addition, it is now proposed that, where BPPRA relief is claimed, the money raised must be spent within 36 months or the relief will be withdrawn.
- The definition of "institutional investor" in a Real Estate Investment Trust (REIT) is being extended to include REITs and foreign equivalents. This will allow REITs to take larger stakes in other REITs.

In addition, a consultation document is expected shortly on the proposal made in the Autumn Statement last December to charge capital gains tax on non-residents who dispose of UK residential property. This measure will not have effect until April 2015.

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