

Tax explainer: Stamp Duty



Introduction

Stamp Duty is a tax paid on certain transactions involving property or land in the UK. The most common instances are the purchase of residential property or land, but Stamp Duty also applies to shares and securities. This factsheet outlines how Stamp Duty works and the rates applicable to property transactions for the 2025/26 tax year.

When Does Stamp Duty Apply?

Stamp Duty applies when you purchase:

- Residential property
- Commercial property
- Shares and securities

For property purchases, Stamp Duty is only applicable if the property is over a certain price threshold. For shares, it applies if you purchase stock worth more than £1,000.

Stamp Duty Land Tax (SDLT) on Residential Property

For residential properties in England, Wales, and Northern Ireland, Stamp Duty Land Tax (SDLT) is calculated based on the property price. The rates are:

- Up to £250,000: 0% (First-time buyers pay 0% on properties up to £425,000)
- £250,001 to £925,000: 5%
- £925,001 to £1.5 million: 10%
- Above £1.5 million: 12%

First-Time Buyers

First-time buyers receive a relief on properties worth up to £425,000. If the property is between £425,000 and £625,000, first-time buyers pay 5% on the value above £425,000. This relief does not apply if the property price exceeds £625,000.

Additional Property Tax

If you buy an additional property (e.g., buy-to-let or second home), an additional 3% surcharge applies to each of the SDLT bands.

Stamp Duty on Non-Residential and Mixed-Use Property

For non-residential properties or mixed-use properties (e.g., a combination of residential and commercial), SDLT is charged at:

- Up to £150,000: 0%
- £150,001 to £250,000: 2%
- Above £250,000: 5%

How Stamp Duty is Calculated

Stamp Duty is calculated as a percentage of the purchase price. If the property is bought for £300,000, for example, the SDLT calculation would be:

- Up to £250,000: 0%
- £250,001 to £300,000: 5% of £50,000 = £2,500
- The total Stamp Duty payable would be £2,500.

Stamp Duty on Shares and Securities

Stamp Duty is also levied on the purchase of shares and securities, typically at 0.5% of the purchase price, but only when the transaction exceeds £1,000. The rate is reduced to 0.25% for transactions executed through the electronic system of settlement (CREST).

Exemptions and Reliefs

Certain transactions are exempt from Stamp Duty or eligible for reliefs, including:

- Transfers between spouses or civil partners
- Gifts of property
- Transfers of property in certain divorce or separation situations

Conclusion

Stamp Duty is a significant cost for many property transactions, but understanding the thresholds, rates, and potential reliefs can help you manage the costs effectively. Contact Parry and Parry for advice on Stamp Duty planning, especially for buy-to-let, second homes, or first-time purchases.