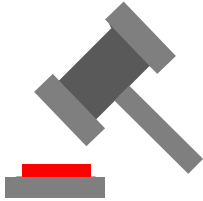


R3 BRIEF

Legal Update #14



Executive Summary

We're delighted to publish our legal newsletter in our effort to provide updates twice a year on any relevant information that affects tenants and their rights.

RENTERS' RIGHTS BILL



The Renters' Rights Bill is Labour's version of the Conservative's Renters (Reform) Bill – which did not pass into law before the last general election. It is not significantly different from what has been proposed before and we look at likely inclusions and timings associated with the legislation.

STAMP DUTY LAND TAX



Some leases will attract SDLT and tenants, not Landlords, are responsible for filing a SDLT return and paying the tax. Here we look at the changes to the current legislation for 2025 and some possible implications arising as a result of the Renters' Rights Bill.

Renters' Rights Bill

What is it?

The Renters' Rights Bill is Labour's version of the Conservative's Renters (Reform) Bill – which did not pass into law before the last general election. It is not significantly different from what has been proposed before.

What stage is it at?

It is currently slowly making its way through Parliament, and it is expected it will become law at some point in the first half of 2025.

What amendments have been proposed?

Our Renters' Rights Bill update published in October ([LINK](#)) goes through in a fair amount of detail what the proposed amendments will be – the one we want to highlight as part of this newsletter is the **move to periodic tenancies** (and the end of assured shorthold tenancies) giving tenants the ability to break by giving 2 months' notice from the outset as this will affect how Stamp Duty Land tax is treated.

Stamp Duty Land Tax ("SDLT")

What is it?

SDLT is a tax on transactions on the creation (or renewal) of leases, payable to the UK Tax Authorities; a duty of 1% is levied based on the net present value of the rental payments for the term of the lease above the exempt threshold – the same as SDLT on purchases.

Unpacking the legislation

Exempt threshold

The threshold is £250,000, but note this will revert back to £125,000 from 1st April 2025, in line with SDLT for purchase of residential properties.

Net present value & Term

Tax is payable on the **net present value** of the rent for **the term** of the lease. The term is the initial term of the lease – and options to renew can give rise to SDLT liabilities even when the tax was not triggered on inception.

Who is responsible

Tenants, not landlords or agents, are liable for paying the tax.

Deadline for submission and payment

The submission (and payment) deadline is within 14 days of the effective start date (when the contract becomes binding) and there are penalties for late submission (£100 for the first three months) and interest payable on overdue tax. While this is not necessarily onerous, non-compliance events with HMRC are always best avoided.

Renters' Rights Bill

Lease for an indefinite term¹

For the purposes of SDLT, a periodic tenancy is treated as a **lease for an indefinite term** and is treated initially as being for a fixed term of one year. As the threshold for SDLT is £125k and Common Law agreement threshold is £100k, falling outside the scope of the Renters Rights Bill, a lease of this nature wouldn't attract SDLT. However...

Continuation post initial 12 months

Where such a lease continues after the notional initial term of one year it is then treated for SDLT purposes as a lease for a term of **two years** from the date of grant.

And equally, if it goes into a third year, it will be treated for SDLT purposes as a term of **three years** from the grant of the lease and in both instances, this may trigger the need to notify HMRC, to file a return and to pay SDLT.

The need for compliance

The move to periodic tenancies will make the management and compliance of SDLT more complicated, especially with the lowering of the threshold to £125,000 as SDLT would be **triggered in the second year** for rents of approximately £65k a year for two years and **triggered in the third year** for rents of £44k a year.

R3 can help

Being compliant with HMRC is important. Non-compliant events such as paying the wrong amount of tax or submitting the form late can be the trigger for more in-depth investigations – always best avoided.

Don't leave it to chance, let R3 help in this complex area. We can do it all, from acting on behalf of tenants to completing and submitting the form online directly with HMRC, and finally to providing guidance on how best to pay.

Note 1: the Bill has not yet passed into Law, so until then, tax treatment may be subject to change. The above is our interpretation of likely outcome.