

Commercial Property Factsheets

Stamp Duty Land Tax relief on Zero-Carbon Homes

Question: I develop residential property and am considering a development of Zero-Carbon homes. Will purchasers of these homes be exempt from the payment of Stamp Duty Land Tax?

Answer

Stamp Duty Land Tax relief on Zero-Carbon homes

On 7th December last year regulations came into force giving an exemption from Stamp Duty Land Tax (SDLT) for 'Zero-Carbon Homes'. The exemption is backdated to 1st October 2007 and, accordingly, if any Zero-Carbon Homes have been sold since then and duty paid, a reclaim of SDLT may be possible.

The number of households in this country is set to increase by more than 223,000 each year until 2026, according to government predictions. Just over a quarter of the country's carbon emissions come from households. Government policy states that all new homes will be zero-carbon by 2016. The new regulations are intended to encourage the adoption of ZCH methods at an earlier date.

For the purpose of SDLT relief, a Zero-Carbon Home means a dwelling that is energy efficient in relation to three aspects of energy efficiency (heat loss parameter, dwelling CO₂ emission rate and Net CO₂ emissions). If the dwelling satisfies the definition of a Zero-Carbon Home, an accredited assessor can issue a Zero-Carbon Home certificate.

The detail of the relief is:

1. SDLT relief is available on the first acquisition of a new Zero-Carbon Home where the chargeable consideration does not include rent and is no more than £500,000.
2. Where the chargeable consideration includes both rent and other consideration and the consideration other than rent is no more than £500,000, no stamp duty land tax is chargeable in respect of the consideration other than the rent.
3. Where the chargeable consideration other than rent is more than £500,000, the stamp duty land tax shall be reduced by £15,000.

HM Revenue and Customs may refuse relief where they have reasonable grounds for thinking that the dwelling is not a Zero-Carbon Home, notwithstanding that a Zero-Carbon Home certificate has been issued in respect of that dwelling.

The regulations only have effect until 30th September 2012.

For developers of new property, the question that will need to be considered is whether the investment in Zero-Carbon technology in the construction of a new home is likely to repay in either a higher sale value (due to the SDLT exemption) or a swifter sale. The technology is expensive and the likelihood of payback (particularly for a smaller scale development) difficult to judge.

Looking further into the future, however, new properties with zero carbon emissions (however that may be measured) are probably destined to become the standard for development over the next ten years. There may be a case for getting in early.