

Insights**UK ECONOMIC STATEMENT: VAT CUT FOR HOSPITALITY SECTOR AND SDLT SAVING FOR RESIDENTIAL PROPERTY**

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SUMMARY

After the broad brush measures taken at the start of the COVID-19 crisis, UK Chancellor, Rishi Sunak, is now targeting help for some of the hardest hit sectors of the economy and is supporting jobs in particular. In his economic statement today the Chancellor presented his plan to protect, support and retain jobs. This included temporary tax cuts to stamp duty land tax on acquiring residential property and temporary targeted VAT cuts.

Immediate stamp duty land tax cut

To support jobs across the housebuilding and property sectors the Chancellor today announced a stamp duty land tax (SDLT) cut for England and Northern Ireland. It will apply to the purchase of residential property between today and 31 March 2021. Purchases up to £500,000 will be exempt from SDLT and those properties bought at a higher price will not pay SDLT on the first £500,000 of the price. Significantly this change is not limited to first time buyers or buyers of property up to £500,000 because moving house, at whatever cost, generates additional spending and provides jobs.

The revised basic rates for individuals acquiring residential property on purchases from 8 July 2020 to 31 March 2021 are as follows:

Property or lease premium or transfer value	SDLT rate
Up to £500,000	Zero
The next £425,000 (the portion from £500,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

Where property is acquired by way of the grant of a lease, there are similar changes. The nil rate band which applies to the 'net present value' of any rents payable for residential property is also increased to £500,000 from today until 31 March 2021.

If a person is buying a second home the 3% higher rate still applies, but the buyer obtains the benefit of the cut so that they will pay only 3% SDLT for the first £500,000. The additional 3% rate also continues to apply to companies (and other non-individuals) acquiring residential property.

The changes will mean that nearly nine out of ten people getting on or moving up the property ladder will pay no SDLT at all.

For the avoidance of doubt, the non-residential rates of SDLT remain unchanged. The 15% rate of SDLT also continues to apply to non-natural persons acquiring residential property.

Targeted VAT cuts

After weeks of speculation, the Chancellor has announced an unprecedented targeted VAT cut to 5% for a 6 month period. The cut will apply to the hospitality industry including food, hotels, restaurants and cinemas. This bold and welcome cut will hopefully stimulate consumer spending in these sectors and potentially save many jobs.

In more detail: from 15 July 2020 to 12 January 2021, across the UK, the reduced 5% rate will apply to:

- sales of food and non-alcoholic drinks from restaurants, pubs, bars, cafés and similar premises; and
- supplies of accommodation; and
- admission to cinemas and tourist attractions.

We wait for more detail from HMRC on the precise scope of the lower rates.

As mentioned above, the expectation is that these lower rates will induce the public to increase their spending on the high street, which should save jobs and stimulate the economy. If the measures fail to have the desired effect the Government may well have to consider reducing, for a limited period, the VAT rate across the entire economy.

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