

What is Multiple Dwellings Relief (MDR)?

Stamp Duty Land Tax (SDLT) is a tax on the purchase of property in England. Multiple Dwellings Relief (MDR) allows homebuyers to pay less SDLT if they are purchasing more than one dwelling in a single transaction. The relief is available to companies as well as individuals.

The rules surrounding the taxation of multiple dwelling purchases and what constitutes a "single" home are complex and best handled by a tax expert.

What is a "Dwelling" for MDR?

The Finance Act 2003 states that "a building or part of a building counts as a dwelling if—

- (a) it is used or suitable for use as a single dwelling, or
- (b) it is in the process of being constructed or adapted for such use."

The dwelling must be self-contained and have its own entrance, kitchen, sleeping area and bathroom. For example, an annexe can be considered its own dwelling if it meets the above conditions, and any connected entrances are locked at the time of purchase.

When does MDR apply?

Multiple Dwellings Relief can be applied to purchases of more than 1 property in a single transaction or in "linked transactions". Linked transactions occur when a buyer purchases several properties from the same seller, or from someone connected to the seller. Linked transactions do not need to be a single

purchase, but can be a series of purchases over a period of time.

How to claim MDR

It is up to the buyer whether they wish to claim the relief or not. Both companies and individuals are eligible to claim.

When you purchase a property, the conveyancing solicitor or property accountant will calculate SDLT and MDR and claim it in the land transaction return.

However, if you are thinking about claiming MDR after the purchase of a property, then you can submit a refund paper claim directly to HMRC within 12 months of the SDLT return filing date for the purchase.

3% surcharge for existing homeowners

If you already own a home, there is a 3% surcharge on each additional residential home that you purchase, unless you are purchasing the property to replace your current home or the new property has a commercial portion, such as flats above a store.

The SDLT calculation

To calculate the SDLT due, you will first need to divide the total cost of the properties by the number purchased. For example, if you purchased 5 properties for £1m, this would equal £200,000. Then, you calculate the tax per property, which in this case would be £1,500 SDLT on £200,000. Lastly, multiply this amount by the number of properties - this would equal £6,000 (£1,500 x 4). This is less than the SDLT you would pay on the total purchase price because £200,000 is in a lower tax band.