

New homeowners warned over tax refund claims

New homeowners are being warned about cold calls from rogue tax repayment agents advising them to make speculative Stamp Duty Land Tax (SDLT) refund claims, which could leave them with large tax bills.

The warning comes after a recent spate of Stamp Duty refund claims to HM Revenue and Customs (HMRC) failed to meet very specific criteria.

The agents have been known to call new property owners after finding them through Land Registry records and property search websites, promising money back on 'unknowingly overpaid' Stamp Duty.

Recent analysis undertaken by HMRC suggests that up to a third of claims for 'multiple dwelling relief' refunds were incorrect.

HMRC raise enquiries on these claims, but sometimes that is after the agent has taken their fee, leaving the homeowner to pick up the difference. Incorrect refund claims must be repaid with interest, with some potentially facing penalties as well.

Nicole Newbury, HMRC Director for Wealthy and Mid-sized Business, said:

We are seeing obviously spurious refund claims that are never going to succeed; but will lead to an unnecessary bill for the customer.

So we are warning new homeowners not to get caught out by tax repayment agents promising easy money on a 'no win, no fee' basis. If it sounds too good to be true, it probably is. We want to help people get it right and avoid unnecessary tax bills, so treat promises of easy money with real caution.

Anyone approached about a Stamp Duty refund claim should check with their original conveyancer, take independent professional advice and check HMRC's guidance by searching 'Stamp Duty Land Tax' on GOV.UK. You can also contact our helpline on 0300 2003 510.

In a recent example, a letter from a rogue agent suggested a homeowner may have overpaid £60,000 worth of Stamp Duty. The agent claimed the home could be designated as two properties, despite it clearly being one. This is not an isolated example – other cases include:

- A claim that a bedroom could be a separate dwelling and in line for claiming 'multiple dwellings relief' because it had an en-suite and a built-in wardrobe which could be a kitchen if you added a microwave and a kettle.
- An individual who claimed their house was not wholly residential because

a paddock behind the garden was used occasionally to keep a neighbour's horse. The agent advised that they were due lower stamp duty rates because the presence of the paddock made the transaction a mix of residential and non-residential property, which would incur a lower Stamp Duty payment.

- A new owner of a six-bedroom house claimed it was not a wholly residential property because a room above a detached garage was used as an office.

SDLT is a tax on land transactions and a form of Self-Assessed transfer tax. £11.6bn was collected in SDLT in 2019 to 2020.

HMRC charges Stamp Duty Land Tax on property transactions in the UK where the value is greater than the different thresholds. However, some transactions qualify for reliefs that reduce the amount of tax you pay or, mean that you do not pay SDLT.

Customers are advised that they might get cold called or receive letters from repayment agents claiming a refund could be due for the following listed cases:

- Claims for multiple dwellings relief.
- Claims house purchases should be charged at a lower rate because it contains something which is non-residential.
- Claims homes purchased are uninhabitable, so you are charged at lower SDLT rates.
- Claims that homes purchased with access to a communal garden mean you are charged SDLT at lower rates.
- Claims there is no SDLT due on the transfer of property to pension schemes.

To check if you may be eligible for SDLT relief, search 'Stamp Duty Land Tax' on GOV.UK. Here are some of the more common instances where either no Stamp Duty or a lower rate of Stamp Duty will be due:

- A first-time buyer of a residential property.
- A first-time buyer of a shared ownership property.
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- A first-time buyer of a shared ownership property.
- Buying more than one dwelling where a transaction or a number of linked transactions include freehold or leasehold interests in more than one dwelling.
- A building company or property trader buying a home from someone who in exchange is buying a new home from you.
- An employer or property trader buying an individual's house because they're moving with their work.
- Buying a house through a compulsory purchase order.
- A property developer subject to planning obligations.
- A group of companies that buys or sells property to or from each other.
- If you're in an investment scheme such as a Property Authorised Investment Fund (PAIF) or a Co-ownership Authorised Contractual Scheme (CoACS).

- If you are buying property or land for a charitable purpose.

HMRC has nine months to enquire into a claim and would look to recover the full tax, with interest, and penalties charged where appropriate from those found to be incorrect.

It's important to know that HMRC requires tax repayment agents to meet an acceptable level of standards and behaviour, known as the HMRC Agent Standard. This includes exercising professional competence and due care. The Standard says to "[take] particular care not to include figures in returns or claims which are not sustainable".

An agent making speculative claims, particularly given the legal precedents set by some of the examples shown above, could be seen by HMRC to have breached that aspect. There is also a legal requirement for tax repayment agents to be registered for Anti Money Laundering (AML) supervision.