



## **LBTT Forum – 27 October 2017**

### **ADS supplementary hand out**

#### **DEBT EXAMPLES**

##### **Example 35A: Individual acquiring a half share of a dwelling with a new mortgage being taken**

Matilda owns her main residence in her sole name but lives there with her partner Luke. Matilda and Luke do not own any other dwellings. Matilda now wants to transfer a half share of her dwelling to Luke and they will be taking a new mortgage in joint names.

The chargeable consideration will be based on the value of the existing mortgage - not the value of the new mortgage - plus any cash sums paid. The existing mortgage on the dwelling is £175,000. As no cash is being paid, the chargeable consideration will therefore be a half share of the existing mortgage, £87,500.

LBTT will not apply as the amount of £87,500 is under the LBTT residential threshold. ADS will also not apply as Luke does not own any other dwellings. However an LBTT return must still be submitted as the chargeable consideration is £40,000 or more.

##### **Example 35B: Individual acquiring a half share of a dwelling and assuming existing mortgage debt**

Ben owns his main residence and lives there with his partner Holly, who already owns a buy-to-let dwelling. Ben wants to add Holly to the title and mortgage of their main residence.

The chargeable consideration will be based on the value of the existing mortgage plus any cash sums paid. The existing mortgage on the dwelling is £300,000. As no cash is being paid, the chargeable consideration will therefore be a half share of the existing mortgage, £150,000.

LBTT will apply on the value of the half share of £150,000. ADS will also apply on the amount of £150,000 as Holly will now own more than one dwelling and she is not selling or disposing of her previous main residence.

**Example 35C: Individual acquiring the remaining share of a dwelling and assuming existing mortgage debt**

Pippa and Bob live together in their main residence which they own jointly. They also own jointly a holiday home. Bob wants to transfer his half share of their main residence and existing mortgage to Pippa.

The chargeable consideration will be based on the value of the existing mortgage plus any cash sums paid. The existing mortgage on the dwelling is £320,000. As no cash is being paid, the chargeable consideration will therefore be a half share of the existing mortgage, £160,000.

LBTT will apply on the value of the half share of £160,000. As Pippa already owns a share of the dwelling ADS will not apply.