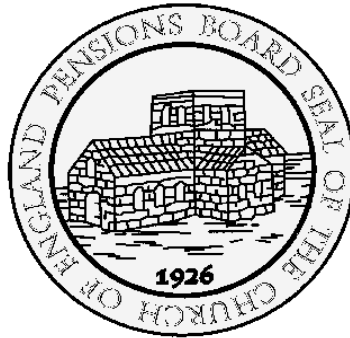


# **THE CHURCH OF ENGLAND PENSIONS BOARD**



## **Retirement Housing**

# **SHARED OWNERSHIP**

### ***Information Booklet For Scheme Applicants***

**The Church of England Pensions Board  
29 Great Smith Street, London, SW1P 3PS**

**Switchboard: 020 7898 1800 Fax: 020 7898 1801**

**Registered Charity No. 236627**

## **Who runs the Shared Ownership Scheme?**

The Church of England Pensions Board (CEPB), which is a registered charity that uses financial assistance from various sources, including its own charitable funds, to provide retirement housing.

## **What is the objective of the Shared Ownership Scheme?**

To enable qualifying beneficiaries, who are unable to finance a retirement property outright from their own resources, to gain a share in the ownership of their retirement property, in proportion to what they can reasonably afford.

The aim is to enable all clergy, deaconesses and licensed lay workers who previously were in occupation of a “tied house” and now wish to retire from the stipendiary ministry, to obtain a suitable retirement property of modest proportions – if they have limited financial resources and wish to acquire a share in their retirement property.

The scheme is not intended to assist those who have substantial personal resources to purchase a retirement property outright, to either acquire a larger property outside the remit of the scheme or to free their capital for wider financial planning purposes.

The application of the scheme will be limited by the resources available to the CEPB. Eligibility for the scheme will be assessed according to each applicant’s personal circumstances.

## **Who is eligible to participate in the provisions of the Shared Ownership Scheme?**

A beneficiary who has completed at least five years qualifying pensionable service under the Clergy Pensions Measures. **This eligibility criterion is currently under review and may change.**

## **Who is classified as a Beneficiary?**

Any of the following:

- All clergy, deaconesses and licensed lay workers who have retired from the stipendiary ministry and are in receipt of Church pensions.
- Spouses and civil partners – who are parties to the housing arrangements.
- Widows and widowers of clergy, licensed lay workers and deaconesses.
- Surviving civil partners of pensioners who are eligible to participate in the scheme.

### **How does the Shared Ownership Scheme work in practice?**

The Pensions Board buys the property and you purchase a share in that property from your own personal resources (e.g. the retirement lump sum from your pension scheme, proceeds from investments and savings). You also pay rent and service charges to The Church of England Pensions Board in relation to the proportion of your retirement property that you do not own.

Applicants applying for Shared Ownership are required to assess their available capital on the basis of:

- **The need to provide approximately £4000 to pay for the costs of essential ingoing checks and works that may arise from a survey, if required.** An additional £4,000, as a rough estimate, needs to be set aside to pay for the applicants own professional fees in respect to the purchase.
- How much capital they wish to retain for retirement purposes. This will impact on the amount the Board will need to contribute to the purchase, and thus will affect the rent figure payable each month.
- The amount of capital that is left will need to be sufficient to meet the applicants minimum capital contribution, equivalent of 25% of the cost of the property.

***PLEASE NOTE: The full costs of the service charges are your sole responsibility because the Shared Ownership Scheme does not attract any form of subsidy. The service charges are levied to ensure that your retirement property is maintained and serviced to an acceptable standard. Please refer to Appendix A at the end of this booklet for a fuller explanation and an illustration.***

### **How does the Board assess whether or not I am eligible to meet the criteria for the Shared Ownership Scheme?**

When you first make enquiries about the Retirement Housing options available through The Church of England Pensions Board you will be supplied with the Retirement Housing Booklet and The Key Features of the Shared Ownership Scheme. Should you express an interest in the Shared Ownership Scheme, you will also be supplied with a Shared Ownership Information Booklet for Scheme Applicants and an initial Application Form. The form will ask you to provide financial information. To determine whether or not you would be eligible for Shared Ownership we will assess:

- The amount of capital you propose to contribute to acquire your share of the property.
- The amount of income you have to pay the rent and service charges.
- The approximate price of suitable property in the area of your choice.

We will supply applicants with key information with which they can make a decision as to whether the scheme is affordable for them.

### **What is the minimum equity share of my retirement property that I can purchase?**

25% of the open market value (i.e. purchase price) of your retirement property. It is expected that prior to completion of the purchase your capital contribution towards the purchase of the property will be released through your Solicitor to the Board's Solicitor to accommodate completion and issuing of the Lease.

## **Can I purchase additional shares in my retirement property in the future?**

Yes. This is subject to the property being in good repair and condition and you obtaining two valuations to determine the current market value of the property. One must be from a RICS qualified surveyor and the other from an NAEA Agent. This process is known as '*staircasing*'. **When increasing your equity share in the property the costs of the valuations are borne by you personally.**

## **What is the minimum additional stake that I can purchase?**

10% of the market value of your retirement property at the time you choose to purchase an additional share. When you increase your share in the property, the rent that you pay will decrease in line with the proportion of the equity that you purchase. However, irrespective of the amount of equity you own, you will have to pay the same monthly service charges. Service charges are not determined by your share of the equity. Instead, they are influenced by the cost of maintaining, servicing and insuring your property to an acceptable standard.

## **Is there a limit to the proportion that I can own?**

No – you can purchase a share in the equity of your retirement property at different times until you own the property outright.

In practice, the amount of capital at your disposal and your desire to purchase an additional equity stake, will determine the proportion of your retirement property that you own. This will need to be balanced against any other financial commitments that you may have and your ability to meet your daily living expenses – both now and in the future.

## **Are There Any Tax Implications To Be Considered?**

A Stamp Duty Land Tax liability may apply to both the Capital Premium which applicants contribute to the purchase of a Shared Ownership property and to the Core Rent element of the Lease over the period of the Lease.

***Please refer to Appendix B of this Booklet for a more comprehensive explanation of you possible SDLT liability, with examples.***

### **What are my financial commitments in relation to the proportion of my retirement property that I do not own?**

The CEPB owns the Freehold or Leasehold of the property and grants you a 90 year lease to secure your investment in the property. In return, you will pay: a rent on the proportion of the property that you have not bought and associated service charges for the maintenance and servicing of the property

### **What are my obligations under the terms of my lease?**

In purchasing a property through shared ownership, you enter into a lease agreement. The lease is a witnessed legal document that entitles you the buyer (called the "lessee") to live in the property. The terms of the lease fix the rights and obligations of both you and The Church of England Pensions Board. Briefly the lease will require you to:

- (a) Pay the rent on a monthly basis on the last day of each month.
- (b) Pay a maintenance service charge, a sinking fund contribution, a cyclical fund contribution, building insurance premium, professional and legal fees contribution, and a central heating and maintenance charge each month.
- (c) Not to let (i.e. rent out) the property or part of the property. (Exceptions apply when the property is purchased earlier than when you actually retire, e.g. when you are 62 years of age and you propose to retire between 65 and 70 years of age).
- (d) Not to assign the lease to anyone else.
- (e) Occupy the property for your own use, as a private residence, and for no other purpose.
- (f) To allow access to contractors and surveyors as required and by prior agreement with you in order to properly maintain the property.
- (g) **You will also be responsible for internal decoration of the property.**

**Please Note:** If the CEPB purchases a flat on a leasehold agreement we will reassess service charges, as the property is likely to already have a management agreement, which will require payment of a number of service charges. This is to ensure that the payment of service charges is not duplicated.

***Full details of the rights and responsibilities of all parties are contained in the lease to occupy, which will be issued to you, and should be explained to you by your solicitor.***

### **Are there any other outgoings that I need to consider?**

You will need to commit some of your financial resources to pay for your:

- (a) Utility bills – water, gas and electricity;
- (b) Council Tax;
- (c) Home Contents insurance; and
- (d) Daily living expenses.

### **How is the rent calculated?**

Rent is paid on the proportion of the purchase price of your retirement property that is owned by the CEPB. That rent is set at 4% of the amount the Board advances on the purchase in the first year. The rent increases, for the first time, on the 1<sup>st</sup> April following the purchase of your retirement property in line with the average of the increase in R.P.I. and the annual clergy pension increase. Further increases will be made on the 1<sup>st</sup> April annually, on the same basis.

**Please note:** If the purchase is completed on or after 1<sup>st</sup> March in any year, no increase in charges will be effective until the 1<sup>st</sup> April of the following year.

### **How is the rent and service charge collected?**

By direct deductions from your Church Clergy Pension or by Direct Debit from your bank or building society account.

## **Is financial help available to assist with paying the rent?**

If you are aged 60 or over on a low income, and retain a maximum of £16,000 in capital after purchasing your share of your retirement property, you may be entitled to claim Housing Benefit. Staff in the Housing Department of The Pensions Board can offer support in making a Housing Benefit claim.

Only the first £10,000 of your capital will be disregarded when assessing what contribution Housing Benefit will pay towards your housing costs. A tapering system of Housing Benefit is payable for capital above £10,000, up to the ceiling of £16,000. This means that Housing Benefit will not cover the full amount of your housing costs, and that the actual amount payable reduces as the amount of capital at your disposal increases. Once this amount exceeds £16,000 you will not be eligible to receive any Housing Benefit.

## **What are the Board's obligations under the terms of the Lease?**

- To ensure that day-to-day repairs and maintenance are carried out.
- To invest the Sinking Fund contribution to plan major repairs or property improvements every five years.
- To invest the Cyclical Fund contribution to ensure sufficient funds are available for external redecoration every five years.
- To insure the structure of the property.
- To ensure the maintenance and servicing of the Central Heating, and to carry out the required yearly Gas Safety Certification.

## **How do I go about finding a property?**

Please note the following procedure:

- Once you have identified a property that you would like to live in, you should notify the Board, providing the Estate Agents property details. The Board will begin negotiation for the purchase and instruct surveyors. The cost of the surveyors will be met by The Board.
- The property is purchased with vacant possession and for your domestic use only
- The maximum funding that the Board will contribute towards the purchase of any property under Shared Ownership is £150,000
- The Bishop's or Archdeacon's permission needs to be granted should a member of the clergy wish to reside within or near a former parish.
- There may be restrictions within the Shared Ownership Scheme in Scotland.

### **What types of properties are considered unsuitable for the Shared Ownership Scheme?**

- Properties on or significantly close to a contaminated site.
- Properties known to have flooded in the past five years.
- Sheltered (Retirement) properties.
- Properties considered as a high risk to subsidence or movement.
- Properties entirely built of timber.
- Properties with roofs of thatch or timber shingle.
- Properties above commercial units.
- Properties with concrete panel construction or precast reinforced concrete.
- Park homes, temporary structures or houseboats.
- Grade listed properties.
- Timber frame built before 1960.
- Studio flats.
- Flats with less than 90 years unexpired on the lease.

## **What Property features would be considered suitable for the Shared Ownership Scheme?**

(a) Freehold Houses, bungalows and maisonettes as follows:

- That are well built and well maintained.
- Do not exceed a total floor area of approximately 900 sq. ft. - once the Estate Agent's particulars are totalled and 20% is added to the result.
- Have no more than two reception rooms and two to three bedrooms.
- Are **NOT** in need of major repairs, major renovation, conversion or modernisation.
- Have a garden that can be easily maintained in retirement.
- Are easily accessible or within walking distance of shops, church, doctor and public transport.

(b) Leasehold flats that, as well as the above features:

- Have at least 90 years unexpired on the lease.
- Are located on either the ground or first floors only unless the building has a lift.

## **Who pays the legal and surveyor fees?**

Legal fees in respect to acquiring the property will be the responsibility of each respective party, who will appoint their own solicitor.

As The Church of England Pensions Board purchases the property, and grants a long lease for beneficiaries to occupy the property, we undertake a valuation and survey to ensure the property is suitable for the retirement shared ownership scheme. However, you may wish to undertake your own survey to ensure the property meets your long term requirements and the cost of this would have to be met from your own funds.

The costs of surveyors fees incurred when you wish to increase your share in the property or purchase the remainder of the total shares, will be borne by you. This will also apply when you wish to sell the property

Surveyors fees at Quinquennial Inspections will be paid through the Professional and Surveyors Fees Fund. Any shortfall will be met by you.

## **Buildings Insurance**

We are obliged to insure your home, i.e. the bricks and mortar, as part of our obligations under the lease. This insurance does not cover your home contents. **You are strongly advised to arrange your own contents insurance cover for personal belongings.** The buildings insurance policy covers damage that may occur to the property due to storm or accidental damage. It will also cover the cost of rebuilding or reinstating the building if there was a major fire or catastrophe.

## **What happens if I want to sell the property?**

**CEPB's share in the property**, based on two open market valuations paid for by you to determine the sale price, **will become payable.** Any monies remaining in the Legal & Surveyor Fees Fund can be used to offset this cost.

Procedures in respect of selling a property will be supplied to you on request and must be followed. The proceeds from the sale will be distributed according to the proportion of the share owned by you and the CEPB respectively. Should there be remaining monies in either or both the sinking fund and cyclical fund, we will determine whether or not the property requires any work to achieve a competitive market price. If so, these funds will be used to complete the work. If not, or if there are any funds remaining following works required, this will be reimbursed to you on completion of the sale of the property.

In the event that the open market valuation of your retirement property depreciates to the extent that it represents a loss, the CEPB and you will have to bear the loss in proportion to the respective shares in the equity of the retirement property.

## **What happens in the event of my death?**

If you are the sole occupant of the property, it will be sold at the agreed open market value, and the proceeds relating to your share in the property will form part of your estate, to be distributed according to the terms of your will, or according to the laws of intestacy if you do not have a will. Should the property require any works to ensure that it is in a presentable condition for marketing, any remaining funds available in the sinking fund and/or cyclical fund will be used to bear the costs of the works. Reimbursement of any monies remaining in the either or both of the cyclical and sinking funds will be made to your estate on completion of the sale of the property.

Should you leave a surviving widow(er) or a civil partner, they can continue to pay the rent and service charges and remain in the property unless or until they decide otherwise. Your surviving spouse/civil partner should be encouraged to talk to staff at the Board to seek support with issues relating to any living arrangement that may arise.

## **Quinquennial Inspections**

Every five years, the Board will appoint a surveyor who will liaise with you to agree a time and date to carry out a building inspection. The surveyor will be asked to list any required works to the property and you will be provided with a copy of this report. At this point, the amount of funds available in both the cyclical fund and the sinking fund for your property will be assessed. Any required works will need to be carried out. We would expect to plan:

- External repainting of the property every five years.
- Dates and times for the works from the Quinquennial to be carried out and completed.
- A review with you as to what funds are remaining in the sinking fund and agree how this can be spent.

Sinking fund works normally comprise work to:

- External doors, windows, roofs, guttering and walls.
- External drains and plumbing systems.

- Footpaths, fencing, gardens etc.
- Replacement kitchen and bathroom.
- Fitting a downstairs cloakroom.

### **Can improvements be made to the property?**

As indicated in this document, certain improvements to the property such as updating kitchens and bathrooms periodically will be included in the sinking fund arrangements.

Should you wish to carry out other types of improvements to the property, for example the addition of a conservatory, extension, or loft conversion, **you can only do so if:**

- You seek the agreement of the Board in advance.
- You provide drawings, specifications and obtain/have in force throughout the works, any required planning permission or building control regulations.
- You obtain two valuations prior to the work being carried out and following completion of the work.

### **Please Note:**

- **No improvements should be carried out without the Board's prior approval**
- **The costs of improvements will not necessarily be reflected in the change of value of the property**
- Prior to the works being undertaken, we will discuss with you before the improvements are carried out, how these are to be funded and whether this will result in an adjustment in equity interests in the property.
- A separate set of Guidance Notes on this issue will be made available to applicants of the Shared Ownership Scheme.

***You should be aware that if you sell your home at a later date and have carried out improvements such as the examples listed above, you are not guaranteed to recover the full costs of the works you have done.***

Should you wish to install internal fittings to your home, for example fitted wardrobes, you can do so unless it affects the

structure of the property; in which case the Board must be contacted in advance of any work.

### **What happens if my financial circumstances change?**

Given that the overriding objectives of the Shared Ownership Scheme are to enable qualifying beneficiaries to gain access to affordable housing, and to own a share in their retirement property, you should notify the CEPB as soon as possible.

### **Can I use my share to raise additional income or capital in retirement?**

**No** - you should not enter into any financial arrangement with a third party that affects your share, or commit the share of your retirement property owned by the CEPB in any way. This includes Equity Release or Home Reversion Plans.

Instead, you are encouraged to contact the CEPB as soon as possible should personal circumstances have an adverse effect on your finances. This will enable the CEPB to investigate ways of assisting you.

### **What other retirement housing assistance is available?**

Besides the Shared Ownership Scheme detailed in this booklet, the CEPB offers the following alternative housing assistance:

- (a) Properties for occupation under an Assured Shorthold Tenancy, and
- (b) Supported Housing Schemes.

Full details can be found in the Retirement Housing Booklet available from The Church of England Pensions Board.

## **APPENDIX A: SHARED OWNERSHIP COSTS**

It should be noted that **Shared ownership is not about shared costs**. Whilst the beneficiary and the Board share in the ownership of the property, payment of the various associated service charges is the sole responsibility of the beneficiary.

A beneficiary will own a minimum of 25% of the equity share of the property from outset, based on the amount of personal capital contributed towards the purchase price.

The equity share owned by the Board will be determined by the capital balance contributed towards the purchase of the property.

The Board will grant a Lease to enable the beneficiary to occupy that part of the property which it owns. In return the beneficiary pays a Core Rent and associated service charges to the Board to ensure that the property is serviced and maintained to an acceptable standard.

The full costs of the service charges are the sole responsibility of the beneficiary – because the Shared Ownership Scheme does not attract any form of subsidy. The impact of such costs is, or can be, reduced by the following:

- (1) The Board does not impose a Management Charge to administer the day-to-day upkeep of the property – usually levied at 15% or so of the value of the property.
- (2) When the property is purchased, any capital contribution that a beneficiary can make to generate an initial equity share over and above the 25% minimum stake, will create a corresponding reduction in the amount of Core Rent that can be charged – because the share in the property owned by the CEPB will reduce.
- (3) Through “staircasing”, a beneficiary can purchase an additional share (minimum of 10%) of the equity in the property. This will reduce the share owned by the Board and, therefore, manifest itself in a corresponding reduction in the amount of Core Rent charged.

The level of service charges will remain unaltered by (2) and (3) above – because they are levied, irrespective of the ownership in the property, to ensure that your retirement accommodation is serviced and maintained to an acceptable standard.

In electing to be considered for the Shared Ownership Scheme as a means of providing for your accommodation in retirement, you will need to satisfy yourself that it is something you can reasonably afford. ***You will need to assure yourself that you are able to make a contribution out of your own capital to acquire a minimum 25% equity share – as well as being able to meet the full costs of the various service charges / outgoings whilst you are in occupation of your retirement accommodation.***

### **A Brief Outline of the Various Outgoings**

Under the terms of the Lease, you will be required to make the following payments:

1. **CORE RENT:** calculated, initially, at 4% of the amount the Board contributes (up to a maximum of £150,000) towards the purchase price of the property. This will increase on an annual basis in April, in line with any increase in clergy pensions. The rate levied corresponds to the rate of interest charged by the Church Commissioners, who provide the funding.
2. **MAINTENANCE SERVICE CHARGE:** provides for day-to-day repairs which are not covered by item 7. below.
3. **CYCLICAL REDECORATION FUND:** provides for the external redecoration of your property every five years.
4. **LEGAL AND SURVEYOR FEES FUND:** provides for the payment of incidental professional fees, such as the five-yearly quinquennial inspection of your property.
5. **SINKING FUND:** provides for major repairs / minor stock improvements to be undertaken every five years.

6. **BUILDING INSURANCE:** provides for the insurance of the physical structure of your property.
7. **CENTRAL HEATING AND MAINTENANCE:** provides a 24/7 responsive repairs and maintenance service which we have negotiated with British Gas. Items covered under this contract include: your gas boiler, central heating system (including radiators), plumbing, drains and fixed electrical wiring in your property.

### **Illustrative Example**

An example is attached, showing the purchase of a property costing £181,000. A sum of £69,000 towards the purchase price is provided by the applicant and the balance of £112,000 is provided by the Board. This results in an equity share in the property, between the applicant and the Board, of 38%:62% respectively.

The amount of capital at the applicant's disposal after the above contribution is made to purchase the property is £16,000 (i.e. £85,000 - £69,000). £4,000 is used by the applicant to pay for ingoing works and a further £4,000 is used for solicitors fees and related cost. The applicant appoints solicitors, who are independent from the solicitors acting for the Board, to handle the legal side of purchasing the applicant's equity share. The remaining £8,000 of capital is retained by the applicant as an "Emergency Fund" to meet day-to-day living expenses, as well as exceptional items of expenditure / financial commitments in the medium to long-term.

The Core Rent and various service charges are listed as "Outgoings on Property", resulting in a "Total Rent and Charges" of £6,735 per annum (£561.25 per month).

### **Adjusting the Calculations to Your Specific Application**

Once you have identified a property that you would like to live in, the Board will instruct a RICS registered surveyor and a NAEA Agent to undertake a survey and a valuation of the property. The full cost will be meet by the Board .

Once the above reports have been undertaken, we will be able to produce an illustration of costs that is specific to the property which is to be purchased as your retirement accommodation. A "Financial Model to Calculate Costs – With Notes on Calculation of Outgoings" will be forwarded to you for this purpose.

Much will depend on the state of external decoration and repair of the property and the ability to make provision in the various service charges to plan for any remedial action that is required. For example, if the property is in a good state of repair, the annual amount charged for the Sinking Fund to accrue over five years is likely to be reduced. Likewise, depending on the external decoration of the property, the annual amount charged for the Cyclical Redecoration Fund to accrue over five years could also be reduced.

The service charges will be reviewed, and adjusted where required, on a regular basis to ensure that they are at a level that is adequate to maintain the property to an acceptable standard.

## Shared Ownership Calculations ILLUSTRATIVE EXAMPLE

### Example 1

	£	
<b>Applicants Capital</b>	85000	Total Capital available to the individual
<b>Less Cost of Ingoing Works</b>	4000	Works/searches generated from survey
<b>Less Cost of Fees</b>	4000	The approximate costs of professional fees to the individual for the purchase
<b>Less Capital Retained</b>	8000	This is an example of how much capital the individual has chosen to retain of their capital
<b>Capital Input to Purchase</b>	<b>69000</b>	This is how much the individual will contribute to the purchase.
<b>Board Contribution</b>	<b><u>112,000</u></b>	Loan from CC to facilitate purchase
<b>Property Price</b>	<b><u>181,000</u></b>	

### Applicants Income

Joint or single income

-

### Outgoings on Property

£ p.a.

<b>Core Rent @ 4% interest</b>	<b>4480</b>	This is based on the amount that CEPB have to repay the Church Commissioners
<b>Maintenance Service Charge</b>	<b>150</b>	Day to Day Repairs
<b>Cyclical Redecoration Fund</b>	<b>500</b>	External Redecoration of the property every 5 years
<b>Legal &amp; Surveyor Fees Fund</b>	<b>75</b>	Fees for surveyors through Quinquennials etc
<b>Sinking Fund</b>	<b>1000</b>	This is the maximum figure based on 5 yearly major repairs and is based on stock condition
<b>Building Insurance</b>	<b>250</b>	Structural Insurance
<b>Central Heating + Maintenance</b>	<b>280</b>	This covers Central Heating Maintenance + Servicing/Gas Safety Certificate/Hard wired
<b><u>Total Rent and Charges</u></b>	<b><u>6735</u></b>	Electrics/Pipes/Leaks/Blockages etc.
<b>Share of property</b>		
<b>Occupant</b>	<b>38%</b>	
<b>Board</b>	<b>62%</b>	

## APPENDIX B

### SHARED OWNERSHIP AND STAMP DUTY LAND TAX LIABILITY

A Stamp Duty Land Tax liability may apply to both the Capital Premium which applicants contribute to the purchase of a Shared Ownership property and to the Core Rent element of the Lease over the period of the Lease. The notes below seek to explain both elements to applicants

#### STAMP DUTY LAND TAX ON THE **CAPITAL PREMIUM CONTRIBUTION** FROM APPLICANTS TO THE PROPERTY PURCHASE.

1. Shared ownership purchasers (i.e. retiring clergy) acquire a LEASE, for which they pay a PREMIUM (i.e. their capital contribution) representing a percentage of the MARKET VALUE of the property (minimum 25%) and RENT in respect of the remainder.
2. Retired clergy may be able to make further CAPITAL PAYMENTS, which will increase their share and reduce the rent payable, and ultimately acquire up to a 100% share of the property (or whatever additional share they can reasonably afford). This is known as **STAIRCASING**.
3. The applicants Capital Premium Contribution towards the purchase price may result in a liability for Stamp Duty Land Tax. The illustrative examples below seek to provide further explanation:

#### EXAMPLE 1 - MARKET VALUE ELECTION

- The Market value (purchase price) of the freehold property: £250,000.
- Retiring Clergy pays a premium of £100,000 towards purchase price.
- Although the applicant only acquires a 40% share, the £100,000 capital payment is below the Stamp Duty Land Tax threshold:

1% > £175K to £250K

3% > £250K to £500K

4% > £500K

- The retiring applicant can **ELECT TO PAY SDLT** on the purchase price of £250,000 FROM OUTSET – even though the £100,000 premium paid is below the SDLT threshold.

- Such an election would require the applicant to pay **SDLT on the FULL MARKET VALUE of the property WHEN THEY PURCHASE THEIR FIRST SHARE IN IT.**
- Therefore, the applicant elects to pay SDLT as follows:

$£250,000 \text{ purchase price} \times 1\% = £2,500$

### **Key Points with regard to consideration of a Market Value Election:**

- This option may be beneficial in the long run where an applicant is certain, **from outset**, that they ultimately want to gain a 100% share (i.e. outright ownership) of the property via future staircasing payments.
- All future staircasing payments (from 40% share to 100% share) **WILL BE EXEMPT FROM SDLT.**
- This will provide a means of avoiding having to pay any further liability to SDLT, when staircasing purchases are undertaken, in relation to any increase in the market value of the property.
- Therefore, if eventual 100% ownership is an objective via staircasing, this will reduce the overall cost of any SDLT that may fall due in the future, especially if the market value of the property increases.

### **GUIDANCE NOTE**

In the context of the vast majority of enquiries likely to be received by the CEPB under the Shared Ownership Scheme, it is unlikely that an applicant would be in a financial position to choose to make a market value election – on the basis that they may never be able to afford to staircase to 100% ownership of the property. To opt for the Market Value Election in these circumstances would mean that the clergy **WOULD BE PAYING SDLT UNNECESSARILY.**

**Therefore, care needs to be taken when determining whether a Market Value Election needs to be made.**

If it is not intended to staircase to 100% to gain full ownership of the property, there will be no need to make the election – particularly where the premium (initial) payment is less than the £175K SDLT threshold and the maximum share ownership that is required is up to 79% (refer to EXAMPLE 3).

Where it is not intended to staircase to 100% ownership of the property, but the premium exceeds the SDLT threshold, EXAMPLE 2 will apply.

### **EXAMPLE 2 – CAPITAL PREMIUM PAID ABOVE THE SDLT THRESHOLD**

- The Market value (purchase price) of freehold property: £300,000.

- Clergy pays a premium of £200,000 to acquire a 66.6% share.
- However, payment of £200,000 is above the SDLT threshold:

**SDLT is paid as follows:**

$$£200,000 \times 1\% = £2,000$$

- All future staircasing payments will also be liable to SDLT – e.g. if a £60,000 staircasing payment is made to acquire an additional 20 % share (increasing the overall share to 86.6%) the SDLT payable will be calculated as follows:

$$£60,000 \times 3\% (\text{£}200,000 + \text{£}60,000) = \text{£}1,800$$

- This will continue to apply until, possibly, 100% ownership is achieved.\*\*

**GUIDANCE NOTE**

\*\* In this example the market value of the property is ASSUMED to remain at £300,000 **in order to illustrate the principles involved as easy as possible.**

In reality, there will be changes to the market value of the property, which will affect the proportion of the share purchased / percentage share value. However, **the principles remain the same.**

<b>EXAMPLE 3- PREMIUM PAID IS BELOW THE SDLT THRESHOLD</b>
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- Market value (purchase price) of freehold property: £250,000.
- Applicant pays a premium of £100,000 towards the purchase price to acquire a 40% share.
- The Capital Premium is **BELOW THE SDLT** threshold – therefore, **SDLT IS NOT PAYABLE:**

0% £ 0 to £175K

1% > £175K to £250K

3% > £250K to £500K

4% > £500K

- SDLT RELIEF is applicable on any future staircasing purchases that take the combined amounts paid above the SDLT threshold **AS LONG AS OWNERSHIP REMAINS AT NO MORE THAN 79.9%**.

For example, if a staircasing payment of £80,000 is made, taking the total amount (£100,000 + £80,000 = £180,000) above the SDLT threshold, and increasing the share from 40% to 72%, the SDLT RELIEF obtainable would be:

£5,000 ( $£180K - £175K$ ) x 1% = £50 where the threshold is £175,000

**Once 80% share is attained, all additional staircasing payments will attract SDLT at the appropriate rate.**

### **KEY POINTS TO NOTE FOR EXAMPLE 3:**

- If you pay a premium less than the SDLT threshold (£175,000) – SDLT does not become payable,
- If you ensure that any further staircasing payments do not take your share of ownership beyond 79.9%, full advantage can be taken to utilise any SDLT RELIEF available on amounts that take the combined payments above the SDLT threshold.

### **GUIDANCE NOTE**

In this example the market value of the property is ASSUMED to remain at £250,000 in order to illustrate the principles involved as easy as possible.

In reality, there will be changes to the market value of the property, which will affect the proportion of the share purchased / percentage share value. However, the principles remain the same.

<p><b>STAMP DUTY LAND TAX LIABILITY (SDLT) PAYABLE ON THE RENT ELEMENT OF SHARED OWNERSHIP LEASES</b></p>
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A SDLT liability can also arise for applicants in respect of the RENT PAYABLE by them over the term of the lease that is granted by the CEPB. To determine whether there is an SDLT liability on the rent element of the Lease, HMRC will make a number of calculations based on a formula which is explained fully on their website. Full illustrative examples of this will be available to applicants once the website calculator has been amended to account for the SDLT announcements which are applicable from 3<sup>rd</sup> September 2008 and which will be reviewed again in 12 months.

HMRC provide a calculator on line to assist individuals in obtaining an assessment of whether or not they will have a liability for SDLT on the rent element and, if so, provides an indication of the approximate cost to the applicant. (Please note the calculator is currently being updated).

Applicants wishing to explore the HMRC website are directed to:

- (a) Select “Internet Explorer” on your Desktop.
- (b) Type in [www.hmrc.gov.uk](http://www.hmrc.gov.uk).
- (c) This takes you to the HM Revenue and Customs Home Page.
- (d) Insert “SDLT Calculator” in search engine and press SEARCH.
- (e) Select “Stamp Taxes Calculator and Stamp Duty Land Tax on lease transactions calculator” from Search Results.
- (f) Select “The New Stamp Duty Land Tax Lease Calculator”.

Please note that staff at the Church of England Pensions Board is unable to provide financial advice. Retiring clergy are strongly advised to seek independent professional financial advice as to the practical options applicable to their circumstances. This can be obtained through:

**Citizens Advice Bureau (CAB)**

You can find your nearest CAB in the phone book, from your local library or on the website: [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk). Most CABs will be able to offer free advice either by phone or in person.

**Independent Financial Advice**

For impartial, independent financial advice you should contact IFA Promotion Ltd. on: **020 7833 3131**, which is the industry body representing Independent Financial Advisers (IFAs). Alternatively, you can use the website: [www.unbiased.co.uk](http://www.unbiased.co.uk) to locate your nearest IFA .

**Please note: the references to tax treatment contained in this publication relate to the position at the time of printing. Future tax changes, introduced by the Government, may alter the position. The recent change to the threshold, in the sum of £175,000 for Stamp Duty Land Tax liability came into effect from 3<sup>rd</sup> September 2008, and will apply up to the 31<sup>st</sup> December 2009.**

**Version: 27**

**Amended: 21.10.2009**

**Amended by: Richard Silvio**