STAMP DUTY LAND TAX: ANALYSIS AND PLANNING FOR HIGHER RATES TRANSACTIONS

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The higher rates of SDLT for additional dwellings purchased by individuals and for first and subsequent dwellings purchased by non-natural persons have applied since 1 April 2016 and are levied on any acquisition that is referred to in the legislation as a 'higher rates transaction', which is broadly as follows:

1. the purchase of additional dwellings in England, Wales and Northern Ireland by individuals where, at the end of the day of purchase, sole or joint individual purchasers own two or more dwellings and are not replacing their main residence. The charge does not however apply where at the end of the day of purchase a sole individual purchaser owns an interest in only one dwelling, or joint individual purchasers together own an interest in only one dwelling; and

2. the first and subsequent purchases of dwellings by persons who are not individuals except where the 15% rate under Sch 4A already applies.

[FA 2003, Sch 4ZA].

The charge is 3% above the normal SDLT residential rates and is charged on the slices of the price of the property that fall into each rate band. The rates are set out in an alternative 'Table A: Residential' that is substituted for the normal Table A in *Finance Act 2003, s 55(1B)*, for when there is a higher rates transaction and the following table shows a comparison of the rates in both versions of Table A:

Band	Basic residential SDLT rates	Additional SDLT rates
£0–£125k	0%	3%
£125k–£250k	2%	5%
£250k–£925k	5%	8%
£925k–£1.5m	10%	13%
£1.5m+	12%	15%

Transactions under £40,000 do not require a tax return to be filed with HMRC and are not subject to the additional charge.

When entering the code for "Type of property" in the SDLT return, Code 04 should be used instead of Code 01 when the higher rates for additional dwellings apply.

Acquisitions of mixed residential and non-residential property remain exempt from residential rates and do not attract the 3% additional charge and are charged under the rates in Table B also using the 'slice' system with a maximum rate of 5% for consideration above £250,000.

The impact of the additional rates can be significant. The purchase of a dwelling caught by these rates for £175,000 attracts tax of £6,250 instead of £1,000; a £2 million purchase attracts £663,750 instead of £513,750; and a £5 million purchase attracts £663,750 instead of £513,750.

THE MECHANICS OF THE ADDITIONAL CHARGE

Where there is only one purchaser the acquisition is a higher rates transaction if the acquisition falls within any of *paras 3–7* of *Sch 4ZA* (see below) and where there are two or more purchasers, the acquisition is a higher rates transaction if the acquisition falls within any of *paras 3–7* of *Sch 4ZA* in relation to any of the purchasers. [*FA 2003, Sch 4ZA, paras 2(1)–(3)*]. This test is also applied to married couples and civil partnerships where one of them acquires alone as a sole purchaser. [FA 2003, Sch 4ZA, para 9]. Leases granted originally for seven years or less are outside the scope of the additional charge. [*FA 2003, Sch 4ZA, para 3(4)*].

The legislation treats the acquisition of a single dwelling and the acquisition of multiple dwellings separately and within each category, deals first with acquisitions by individuals and then acquisitions by purchasers who are not individuals.

An acquisition falls within *para* 3 of *Sch 4ZA* if the purchaser is an individual purchasing a major interest in a single dwelling and Conditions A to D below are met:

Condition A is that the chargeable consideration is £40,000 or more;

Condition B is that at the effective date of the transaction, the dwelling is not subject to a lease with more than 21 years left to run;

Condition C is that at the end of the day of the effective date of the transaction, the purchaser owns a major interest in another dwelling which has a market value of £40,000 or more and that interest is not subject to a lease with more than 21 years left to run;

Condition D is that the dwelling acquired is not a replacement for the purchaser's only or main residence (see below).

'Major interest' in *FA 2003, s 117* means a freehold or leasehold interest, but for the purpose of *Sch 4ZA*, this phrase excludes leases granted originally for seven years or less: *para 2(4), Sch 4ZA*. It seems that the individual interest held by a joint owner in the undivided share of an equitable estate in a freehold or leasehold is not itself a major interest: see *Pollen Estate Trustee Company Ltd and King's College London v HMRC* [2013] EWCA Civ 753 and also HMRC's August 2007 Technical News where HMRC state: *"In addition, we would not wish to argue that an undivided share was a major interest."* On this basis, Condition C above would not be met so that the 3% charge would not apply where an individual owner of an undivided share in a jointly owned dwelling purchased another dwelling, unless the other owner of the undivided share purchases jointly with him or the other owner is his spouse or civil partner.

An acquisition falls within *para 4* of *Sch 4ZA* if a purchaser, who is not an individual, purchases a major interest in a single dwelling, and Conditions A and B in *para 3* of *Sch 4ZA* (above) are met. Therefore, a company or other entity that is not an individual is not excluded from the additional charge in relation to its first or only dwelling acquisition and cannot utilise the exception for the replacement of a main residence. In relation to such purchasers, the rates in Table A substituted by *Sch 4ZA* become the default SDLT rates for the acquisition of a dwelling.

With regard to the acquisition of multiple dwellings, *para 5* of *Sch 4ZA* applies if the purchaser is an individual purchasing a major interest in two or more dwellings, and Conditions A, B and C below are met in relation to at least two of the dwellings acquired:

Condition A is that the amount of the chargeable consideration which is attributable on a just and reasonable basis to the purchased dwelling is £40,000 or more;

Condition B is that on the effective date of the transaction the purchased dwelling is not subject to a lease with more than 21 years left to run.

Condition C is that the purchased dwelling is not subsidiary to any of the other purchased dwellings.

One of the purchased dwellings ("dwelling A") is subsidiary to another of the purchased dwellings ("dwelling B") if (a) dwelling A is situated within the grounds of, or within the same building as, dwelling B and (b) the chargeable consideration attributable on a just and reasonable basis to dwelling B is equal to or greater than two-thirds of the chargeable consideration attributable in total to dwellings A and B and any other dwelling within the grounds of, or in the same building as, dwelling B.

The acquisition of multiple dwellings by an individual will also be a higher rates transaction if:

(i) Conditions A, B and C in relation to para 5 of Sch 4ZA above are met in respect of only one of the dwellings acquired;

(ii) The dwelling in respect of which those Conditions are met is not a replacement for the purchaser's only or main residence (see further below); and

(iii) At the end of the day of the effective date of the transaction, the purchaser owns a major interest in a dwelling other than one of the purchased dwellings which interest has a market value of £40,000 or more and is not subject to a lease with more than 21 years left to run.

An acquisition falls within *para 7* of *Sch 4ZA* if a purchaser who is not an individual, purchases a major interest in two or more dwellings and Conditions A and B in relation to para 5 of Sch 4ZA above are met in respect of at least one of the purchased dwellings.

MAIN RESIDENCE EXCEPTION

The exception from the additional charge for main residences is slightly curious because it entrenches the position of those individuals who own two or more dwellings, one of which is a major interest in a dwelling that was the purchaser's only or main residence either at the time of the introduction of the additional charge on 1 April 2016 or during the period of three years prior to the purchase. It does this by conferring on such persons the facility to replace that dwelling with another to be used as the individual's only or main residence without having to pay the additional charge. This is in contrast with

those persons who purchase a main residence having previously not owned the freehold or a lease of more than seven years of a dwelling used as such in the previous three years, but who otherwise own a major interest in a dwelling as, say, an investment or through inheritance. Purchasers who previously rented their main residence instead of owning it cannot take advantage of the replacement of main residence exception. There is also a time limited relief that allows someone who has disposed of their only or main residence at any time before 1 April 2016 to access the replacement of main residence exception on the purchase of a new main residence on or before 26 November 2018: *FA 2016, s 116(9)*.

The main residence exception is available when a lease of a main residence is extended or renewed provided that the remaining term of the existing lease is at least 21 years and the dwelling has been the purchaser's only or main residence throughout the three years prior to the extension or renewal. The purchase of the freehold interest in such a dwelling is also capable of falling within the exception. [FA 2003, Sch 4ZA, para 7A].

The main residence exception is of course only available to purchasers who are individuals and not to companies or other types of purchase. The exception is only available for the acquisition of a dwelling that replaces the purchaser's only or main residence because one of the tests for a higher rates transaction is Condition D in relation to para 3 of Sch 4ZA above, ie that the dwelling acquired is not a replacement for the purchaser's only or main residence. The legislation then sets out what is treated as a replacement of an only or main residence for the purpose of Condition D.

Where the previous main residence has been disposed of before or on the same day as the acquisition of the new dwelling, the new dwelling will be treated as the replacement and thus exempt from the additional charge if:

4.11.1. On the effective date of the transaction the purchaser intends the new dwelling to be his only or main residence;

4.11.2. The purchaser, their spouse or civil partner have disposed of a major interest in the previous dwelling ("the sold dwelling") in the three years ending with the effective date of the transaction;

4.11.3 Immediately after the disposal of a major interest in the sold dwelling neither the purchaser or their spouse or civil partner had a major interest in that dwelling;

4.11.4. At any time during the period of three years referred to in 4.11.2, the sold dwelling was the purchaser's only or main residence; and

4.11.5. During that period, the purchaser, their spouse or civil partner have not acquired a major interest in any other dwelling with the intention of it being the purchaser's only or main residence since the disposal of the previous main residence.'

The requirement in 4.11.3 applies for transactions on or after 22 November, 2017 however it does not apply in relation to a spouse or civil partner of the purchaser if the two of them were not living together on the effective date of the transaction concerned.

[FA 2003, Sch 4ZA, para 3(6)].

Where the purchaser's existing only or main residence has not been disposed of by the date of the acquisition of the new dwelling, the new dwelling will become a replacement for the purchaser's only or main residence if:

4.12.1. On the effective date of the transaction, the purchaser intends the new dwelling to be his only or main residence;

4.12.2. In the period of three years beginning on the day after the effective date of that transaction, the purchaser or their spouse or civil partner disposes of a major interest in another dwelling ("the sold dwelling");

4.12.3 Immediately after the effective date of the sale of the sold dwelling neither the purchaser nor their spouse or civil partner has a major interest in the sold dwelling; and

4.12.4. At any time during the three years ending with the effective date of the purchase of the new dwelling, the sold dwelling was the purchaser's only or main residence. [FA 2003, Sch 4ZA, para 3(7)]. For the effect of this on the acquisition of the new dwelling, see below.

The requirement in 4.12.3 applies for transactions on or after 22 November, 2017, however it does not apply in relation to a spouse or civil partner of the purchaser if the two of them were not living together on the effective date of the sale of the sold dwelling.

The tests in 4.11 and 4.12 above also apply where an individual purchases multiple dwellings where only one of the dwellings meets Conditions A, B and C in relation to para 5 of Sch 4ZA above, so that if either main residence replacement test is met, the dwelling concerned will be a main residence transaction, so that it will not meet the test in *FA 2003, Sch 4ZA, para 6(1)(d)*. This means that when purchasing more than one but less than six dwellings in a single transaction, the main residence exception will only be available where only one of the dwellings purchased is worth £40,000 or more (disregarding any 'subsidiary' dwelling or dwellings) and is not subject to a lease of more than 21 years.

The important point here is if one is replacing one's main residence as part of a purchase of up to five dwellings, only one property (the main residence replacement but disregarding any 'subsidiary' dwelling) should be for £40,000 or more and not subject to a lease of more than 21 years or else the exception for the replacement of a main residence cannot apply. This surprising result arises from the relentlessly mechanical style of the drafting of the provisions in FA 2003, Sch 4ZA.

In a case where the acquisition of a new dwelling will become a replacement for the purchaser's only or main residence but the latter has not been disposed of at the date of acquisition of the new dwelling, the acquisition is initially treated as a higher rates transaction. However, the acquisition of the new dwelling ceases to be a higher rates transaction if the previous or only main residence is disposed of within three years beginning with the day after the effective date of the acquisition of the replacement dwelling. [*FA 2003, Sch 4ZA, para 3(7)*]. In such cases, a disposal that causes an earlier purchase to cease to be a higher rates transaction cannot also make a later purchase into a replacement of a main residence. This rule creates a potential trap for a separating couple where one spouse buys a property before the jointly held main residence is sold and the other spouse buys a property after the sale of the jointly held main residence. This is in contrast with where the jointly held main residence is sold first and each spouse buys their own property afterwards where each spouse can take advantage of the main residence replacement exception.

When an acquisition of a dwelling ceases to be a higher rates transaction because of the subsequent disposal of the main residence, the time limit for amending the SDLT return for the acquisition of the replacement residence to notify HMRC that this acquisition has ceased to be a higher rates transactions is the later of the normal time limit of 12 months from the filing date for the acquisition and three months after the disposal of the previous main residence. [*FA 2003, Sch 4ZA, para 9(3)*]. These time limits are strictly enforced by HMRC. The normal requirement to supply HMRC with the relevant contract, etc with the notice of amended return is waived in relation in such cases [*FA 2003, Sch 4ZA, para 8(4)*]. The filing of such an amended return should lead to a repayment to the purchaser of the additional charge that was paid on the acquisition of the new dwelling.

Examples

1. George sells property 1 on 1 January 2010; it had been used as his main residence. He buys property 2 on 1 April 2010 which then became his main residence. On 1 April 2016 he buys property 3 which then becomes his main residence and property 2 is retained and let. George cannot claim that property 3 is a replacement for his main residence because he has retained property 2 and he is not regarded as having replaced his earlier disposal of property 1 [*FA 2003. Sch 4ZA, para 3(6)(d*)]

2. George sells property 1 on 1 January 2010; it had been used as his main residence. He buys property 2 on 1 April 2016 and lets it as he is living in rented accommodation. On 1 April 2017 he buys property 3 which then becomes his main residence. As he has not replaced his main residence in the interim period he can claim the replacement exemption for property 3.

3. George buys property 1 on 1 January 2010 and uses it as his main residence until 2012 when he went into rented accommodation, intending to sell property 1 to the fund the purchase of property 2. However the sale of property 1 fell through and he used a bridging loan to buy property 2 on 1 April 2016. Property 1 is eventually sold on 1 April 2017. The purchase of property 2 incurred the additional 3% charge and George cannot claim a refund of it because property 1 is sold after the purchase of property 2 and the legislation only looks at whether property 1 was his main residence in the previous 3 years [*FA 2003, Sch 4ZA, para 3(7)(c)*].

In the case of married couples and civil partners (who are not separated under a deed of separation or a court order or separated under circumstances which are likely to be permanent) where one of them purchases alone, the transaction attracts the 3% charge if it would have done so had the other one been a purchaser. Accordingly, the purchase jointly or individually of an additional dwelling attracts the 3% charge. A dwelling owned by a couple's child under 18 is also taken into account and treated as if it was owned by the couple except in relation to property held by trustees of children subject to arrangements made by the Court of Protection. [*FA 2003, Sch 4ZA, para 12*]. If the couple live together or apart but are not estranged and have two residences then which is their main residence will be a question of fact.

Spouses and civil partners who live together and purchase an interest in a dwelling from one another are not subject to the 3% charge. [FA 2003, Sch 4ZA, para 9A].

In the case of a divorce or the dissolution of a civil partnership, an interest in a dwelling owned by a person ("A") that is subject to a property adjustment order for the benefit of another person ("B") where the dwelling is the only or main residence of B but not A, then A is not to be treated as having that interest in the dwelling for the purposes of the 3% charge. [FA 2003, Sch 4ZA, para 9B].

The following examples illustrate the position.

A Mr and Mrs A own two dwellings consisting of a buy to let and their main residence. They sell their main residence and purchase a new one. The 3% will not apply because although

they own two dwellings at the end of the day of the purchase they have replaced their main residence.

B However if they sell the buy to let and buy a pied a terre in London they will own two dwellings at the end of the day of purchase and are not replacing their main residence so the 3% applies.

C Ms X and Ms Y are civil partners and live in Ms X's property. They separate under a deed of separation and Ms Y then buys her own property. The 3% will not apply because Ms Y owns only one dwelling at the end of the day of her purchase and she is no longer living with Ms X

JOINT PURCHASERS AND PARTNERSHIPS

Joint purchasers are treated as one unit for the purpose of the additional charge. If at the end of the day of a joint purchase any one of the joint purchasers has an interest in two or more dwellings and is not replacing a main residence then the additional charge applies to the total consideration. [*FA 2003, Sch 4ZA, para 2(3)*]. For example, if A and B own a buy to let jointly and B then buys a dwelling of his own – at the end of the day B owns an interest in two dwellings so the 3% charge applies. Z and Y purchase a dwelling together to live in which will be Z's first property but Y already owns another dwelling that she is keeping – at the end of the day Y owns two dwellings so the 3% charge applies to the total consideration for the dwelling. Partnerships are treated as joint purchasers. [*FA 2003, Sch 15, para 2(1) and (b)*]. The additional charge will apply to a purchase by a partnership if any partner owns an interest in more than one dwelling at the end of the day of the purchase (whether as a partner or privately). However, there is a limited exception to this rule in cases where a person who is a partner in a partnership does not enter into the transaction for the purposes of the partnership. [*FA 2003, Sch 4ZA, para 14*]. A dwelling held by the partnership for the purposes of a trade carried on by the partnership is ignored for the purposes of the purchase by a partner in deciding whether the tests in *paras 3* and *6* of *Sch 4ZA* apply. This protection is not available where the test in *para 5* of *Sch 4ZA* applies (see above).

INTERACTION WITH MULTIPLE DWELLINGS RELIEF ('MDR')

MDR allows the buyer of multiple dwellings to pay SDLT at the rates appropriate to the average price of each of the properties purchased. When six or more dwellings are purchased HMRC permits the buyer to choose between paying the non-residential rates of SDLT in Table B on the entire price or at the residential rates under Table A on the average consideration for each of the properties under MDR. This choice continues for purchasers who are individuals under the additional charge when the alternative Table A applies with the 3% added to the normal rate if MDR is claimed or the 3% not charged if the rates under Table B are opted for. For example, A buys 10 dwellings for £3m. The average price is £300,000. A can choose to claim MDR and pay tax on the average price under the rates in the alternative Table A = £14,000 × 10 = £140,000 SDLT. However he can instead opt for the non-residential rates under Table B on the whole price = £139,500 SDLT. Solicitors should advise clients of the choice available to them to enable clients in this position to pay the lower amount of SDLT, or face a negligence claim, eg *Mansion Estates Ltd v Hayre & Co [2016] EWHC 96* (failure to advise on the availability of sub-sale relief).

SETTLEMENTS AND BARE TRUSTS

The beneficiary of a settlement who, under the terms of the settlement is entitled to occupy a dwelling for life or to income earned in respect of a dwelling, will be treated as the purchaser of a dwelling acquired by the trustees, for the purposes of the additional charge. This displaces the normal SDLT rule which treats the trustees of a settlement as the purchaser. Where the trustees of a bare trust purchase a lease of a dwelling, the beneficiary of the bare trust is treated as the purchaser for the purpose of the additional charge. This displaces the normal SDLT which treats the trustees of a bare trust as the purchaser on the grant of a lease. [*FA 2003, Sch 4ZA, para 10*]. An existing dwelling owned by a settlement will be treated as owned by a beneficiary who is entitled to occupy the dwelling for life or to income earned in respect of the dwelling for the purposes of the additional charge. The beneficiary of a bare trust which owns a dwelling is also treated as the owner of the dwelling, including where the interest in the dwelling is a lease. A disposal of the dwelling by the settlement or bare trust is treated as a disposal by the beneficiary for the purposes of the additional charge. The interests of a beneficiary under 18 years of age are attributed to its parents and any spouse or civil partner living together with one of the child's parents except in relation to property held by trustees of children subject to arrangements made by the Court of Protection. [*FA 2003, Sch 4ZA, para 12*]. Individual trustees of a settlement who purchase a dwelling where there are no beneficiaries entitled to occupy for life or to income from the dwelling will be treated as the purchaser but they are in effect treated as if they were not individuals so that *paras 4* and *7* of *Sch 4ZA* apply. This means that there is no exclusion for such trustees from the additional charge in relation to a first or only dwelling acquisition and the main

residence exception is not available. [*FA 2003, Sch 4ZA, para 13*]. There is therefore no advantage in creating a series of settlements each acquiring only one dwelling.

INHERITED DWELLINGS

A limited exception in relation to the additional charge is available for a purchaser of a dwelling who is an individual who has inherited an interest in a dwelling jointly with one or more other persons where the individual's share does not exceed 50%. The individual's joint interest in the inherited property is ignored when applying the tests in Condition C of *para 3* of *Sch 4ZA* (see above) during the period of three years beginning with the date of the inheritance. [*FA 2003, Sch 4ZA, para 16*]. However, if the individual's beneficial share in the dwelling exceeds 50% at any time during those three years, the exception is, from that time, no longer available. For this purpose the interests of the individual and any spouse or civil partner are aggregated and in the case of joint tenants, the interest of the individual will be deemed to exceed 50% if the individual and any spouse or civil partner are beneficially entitled as joint tenants and there is no more than one other joint tenant who is so entitled.

ALTERNATIVE FINANCE

In an alternative finance transaction the financial institution will typically purchase the dwelling from the vendor followed by a sale or a lease to the ultimate individual purchaser. This would result in the financial institution being liable to the additional charge on its purchase. However, an exemption has been introduced retrospectively to exempt the financial institution from the additional charge except where the ultimate purchaser owns another dwelling at the end of the day of the effective sale of the transaction and the purchase is not a replacement of the individual's previous only or main residence. In the case of a subsequent sale of a previous main residence which causes the financial institution's acquisition to cease to be a higher rates transaction under *para 3(7), Sch 4ZA* (see above), only the financial institution will be able to claim a refund of the overpaid tax.

PLANNING IDEAS

The higher rates inclusive of the 3% charge may come to be seen in time as the default SDLT charge and the single property/main residence replacement purchase viewed as a 'relief' ie is this a disguised tax increase wearing a 'fairness' mask. This large tax on residential purchases only encourages further renting rather than buying causing rent increases which in turn affect generation rent's ability to put aside enough for a purchase deposit.

Planning to avoid the 3% higher rates transaction tax includes:

– six or more residential properties purchased in a single transaction (in this regard it is worth noting the surprising effect of purchasing a share in the freehold of a block of six or more flats together with the purchase of one of the flats, particularly where the flats are very highly priced);

– purchase of property used for mixed residential and non-residential purposes;

– residential property purchased with a non-residential property including grounds that are not necessary for the enjoyment of the house;

– residential property purchase which is 'linked' to the purchase of a non-residential property;

– 'crowd purchasing' via the web of 6 + residential buy to lets purchased jointly;

– be careful if wishing to rely on the exception for replacing a main residence and purchasing two to five dwellings at the same time as only a limited range of acquisitions qualify (see above). In such cases, consider buying in two separate linked transactions to avoid the restriction in para 6, but watch *FA 2003, s 75A*;

– if de-enveloping a dwelling in situations where there is a mortgage debt on the dwelling so that there is the potential for an SDLT charge if the debt is assumed by the shareholder, the additional charge will apply to the consideration if the transfer meets the conditions for a higher rates transaction, so, for example, the assumption or satisfaction of mortgage debt of say £1m would normally attract SDLT of £43,750 but this will be £73,750 where the individual shareholder already owns one or more dwellings (and see de-enveloping below).– watch the transitional provisions closely especially where a client has owned a main residence at any time in the past

– be alert to some surprising results eg purchase of buy to let in between sale of one main residence and purchase of another: worth delaying acquisition of replacement to acquire the London pied a terre on the family move to the country?

– if buying a redundant dwelling to knock down and re-build can you avoid the 3% additional rate by getting the vendor to knock it down and buy the bare land?

Consider also the following example:

George sells the family home in Chiswick on 1 January 2017 in order to move his family to the country. He is also buying a pied a terre in London to use during the week. If he completes the purchase of the

home in the country on the same day as selling the old one he will pay the 3% additional rate on the purchase of the pied a terre. If However George delays completion of the purchase of the new home until after completion of both the sale of the home in Chiswick and, on a subsequent day, completion of the purchase of the pied a terre in London, he will not pay the additional charge on either of the purchases.

Solicitors filing SDLT returns for the purchase of dwellings in England, Wales and Northern Ireland by foreign buyers should obtain a signed statement from their client as to whether they already have an interest in a dwelling abroad in order to support their filing position if the additional charge is not being paid.

The purchase of a dwelling by a company, trustees of certain settlements and other non-individuals will usually attract the additional charge and so solicitors filing SDLT returns should adopt the alternative Table A as a default in such cases unless they are supplied with sufficient evidence by their client that the 'normal' Table A rates apply.

In relation to linked transactions, where one transaction is chargeable at normal rates and the other is a higher rates transaction, an extended computation is needed based on both the rates in the normal Table A and the rates in the alternative Table A. For example if X and Y who are related each purchase a dwelling from the same vendor in a linked transaction with X paying £600,000 for his dwelling as a replacement main residence and Y paying £400,000 for his dwelling as a second home, the relevant consideration will be £1,000,000. Total SDLT on this amount under the normal Table A will be £43,750 and under the alternative Table A will be £73,750. X should pay £43,750 x 6/10 = £26,250 (compared with £20,000 for an unlinked transaction). Y should pay £73,750 x 4/10 = £29,500 (compared with £22,000 for an unlinked transaction).

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