Mixed-use stamp duty land tax: history of commercial abuse

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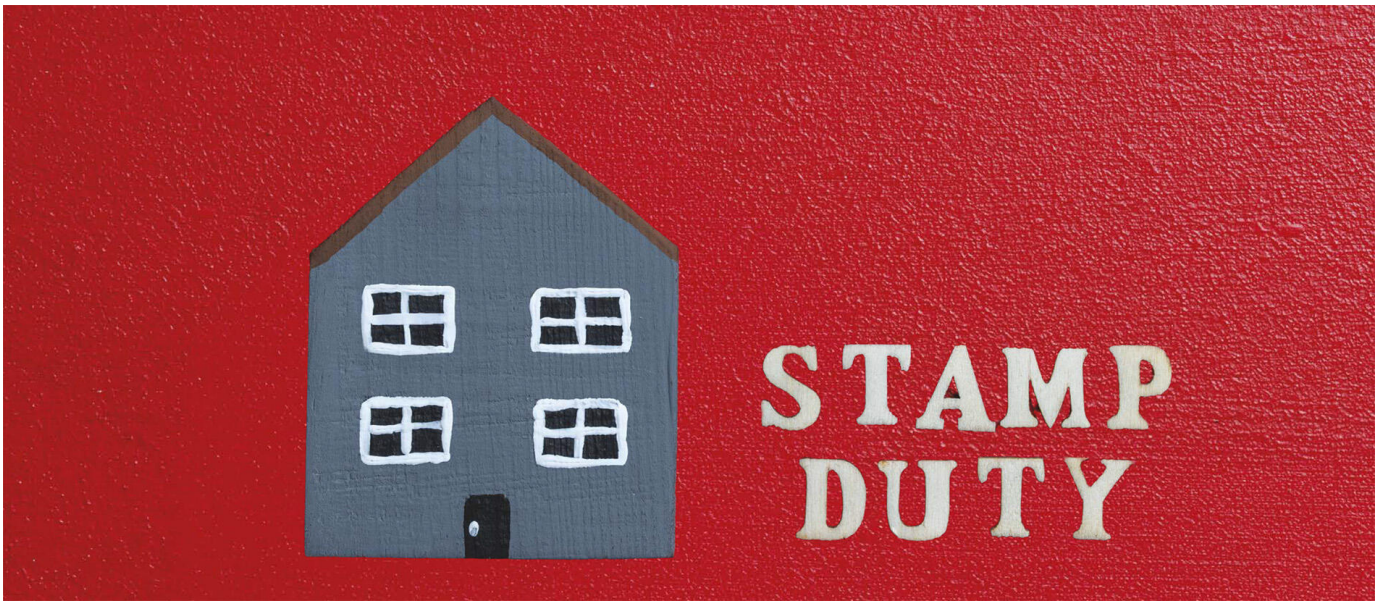

25 March 2026

Mixed-use stamp duty land tax applies to a country estate where substantial, evidenced commercial land use exists at completion.

Key Points

What is the issue?
The tribunal had to decide whether a 150 acre country estate was entirely residential or qualified for mixed-use SDLT treatment.

What does it mean to me?
SDLT liability depends on the character and use of the property at the effective date of the transaction. Properly evidenced commercial activity can secure mixed-use treatment, even where there is a substantial dwelling.

What can I take away?
Commercial use must be documented before purchase, reflected in the contract where possible and continued after completion. Clear evidence is essential for securing mixed-use SDLT and supporting wider farm tax planning.

There have been numerous tribunals concerning mixed-use stamp duty land tax, many reflecting HMRC's resistance to marginal claims. However, the case of *The Executor of the estate of P Goudman-Peachey v HMRC* [2025] UKFTT 1402 is rather different. This was not a case just about a paddock or an extended garden. It involved a substantial country estate and a well-documented history of commercial land use.

The facts

Lesley Goudman-Peachey, executor of the estate of her late husband Paul Goudman-Peachey, appealed against a HMRC closure notice for an additional £477,250 of stamp duty land tax (SDLT) on the purchase of a large country property.

The estate, Woodmancote Place in Henfield, West Sussex, was acquired for £7.9 million. It comprised a main 10 bedroom house with two subsidiary dwellings, a swimming pool and equestrian facilities, all set in extensive grounds of 150 acres including a lake and woodland. Shortly before completion, Lesley Goudman-Peachey also agreed to buy the 130 deer on the estate grounds.

On acquisition, SDLT of £384,500 had been paid on the basis that the transaction qualified as 'mixed use', and applying the non-residential rates in Table B of the Finance Act 2003 s 55.

The role of the land agent

The appellant argued that the property had been marketed by the land agents Strutt & Parker on the basis that it qualified for mixed-use SDLT. The previous owner had used the estate for deer farming and horse breeding, and part of the land was used for sheep grazing under a commercial contract with a local farmer.

Sales particulars for farms and estates sometimes refer to SDLT treatment, but purchasers must examine the evidential basis carefully. Mixed-use status is highly fact-specific and depends on demonstrable commercial activity at the effective date of transaction.

In this case, the land agent’s description aligned with the position ultimately accepted by the tribunal.

HMRC’s position

HMRC claimed that the acquisition was entirely residential, and thus a chargeable transaction. It argued that all 150 acres constituted ‘garden and grounds’ of the dwelling at completion and therefore fell within Table A residential rates under Finance Act 2003 s 55.

A closure notice was issued by HMRC on 30 September 2020, nearly 20 months after the transaction was completed, under Finance Act 2003 Sch 10 para 23.

HMRC’s central argument was that there was insufficient evidence of separate commercial use of the land at the relevant date. It stressed the absence of clear commercial rents, formal agreements or infrastructure demonstrating business activity beyond what might be described as leisure usage consistent with the area’s rural character.

The evidence before the tribunal

A substantial evidential bundle of approximately 1,100 pages was prepared to substantiate the commercial use of the land. The tribunal was required to determine whether identifiable parcels of the estate were being used for non-residential purposes at the effective date of completion.

Although a sheep grazing agreement relating to between 200 and 300 sheep was formalised shortly after the purchase of the property by Lesley Goudman-Peachey, the tribunal accepted that this reflected the character of the land’s use at the date of completion. Such grazing activity was properly classified as non-residential. It was argued that the house and its immediate gardens were clearly residential, but that the surrounding parcels of land were distinct in character and function.

The existence of extensive public footpaths across parts of the estate was also relevant. Footpaths are not typically found running through purely private residential gardens, and their presence supported the conclusion that significant areas of the land were not simply domestic grounds.

Evidence before the tribunal demonstrated a longstanding history of deer grazing and its commercial exploitation, and the continued employment of the deer manager by Lesley Goudman-Peachey reinforced the commercial nature of the activity. There had also been operation of a former stud farm, together with arable and wider agricultural use across substantial areas of the estate.

The tribunal considered business plans, contracts and other supporting documentation as part of its assessment of whether genuine commercial activity was being undertaken. As in all mixed-use cases, the critical question was the position at completion. The tribunal assessed the totality of the evidence rather than isolating individual factors in determining the character of the land.

The wind farm agreement

A particularly persuasive factor in support of mixed-use treatment was a 99 year agreement entered into by the vendor in January 2019 with Rampion Offshore Wind Limited (ROWL). This arrangement permitted cable infrastructure associated with offshore wind turbines to cross the land. The vendor received a lump sum of £270,000 in return for access rights, and a deed of variation required the purchaser to maintain the land subject to the agreement.

The tribunal regarded these legally enforceable third-party rights as strong evidence that parts of the estate were being used for non-residential purposes. With the continued diversification of farms and the expansion of renewable energy projects, such long-term commercial arrangements are increasingly common and can have significant consequences for SDLT.

The First-tier Tribunal decision

Judge Natsai Manyarara observed that the parties held ‘diametrically opposed views’ as to what the acquisition represented.

The tribunal reviewed the legislative framework of Finance Act 2003, reiterating that (unlike stamp duty) SDLT is a tax on transactions rather than documents, and operates within a self-assessment regime. It also considered 23 SDLT cases as part of its deliberations – not something to be undertaken lightly.

Among others, the decision referred to the earlier case of *Hyman* [2019] UKFTT 469 (TC), which confirmed that ‘garden’ and ‘grounds’ are ordinary English words to be applied to the facts. Identifying the relevant factors and balancing them when they do not all point in the same direction is a conventional evaluative exercise.

On balance, the tribunal concluded that while the house and other parts of the property were residential, distinct and identifiable parcels of land were used for non-residential, commercial purposes. Those uses both pre-dated completion and continued thereafter.

Judge Manyarara allowed the appeal, holding that mixed-use SDLT applied. Central to the decision was the well-established principle that SDLT is determined by reference to the character and use of the property at the effective date of the transaction, normally completion. While evidence of prior and subsequent use can be relevant, it is the position at that date which is decisive. As the judgment stated: ‘The totality of the evidence demonstrates the previously existing (prior to sale) and continued use of the identifiable land parcels are, and continue to be, non-residential, whilst the house was residential. For all of the foregoing reasons, the non-residential/mixed use property rates apply.’

What it means for property purchases

Preparation prior to purchase remains critical. In mixed-use cases, success will often depend on the quality of evidence demonstrating genuine commercial activity in the months and years leading up to sale.

Grazing arrangements, haymaking agreements, diversification projects and renewable energy or infrastructure leases should be properly documented, and identifiable land parcels should be clearly distinguished by reference to their use. Where possible, these arrangements should be expressly referred to in the contract for purchase and, importantly, allowed to continue after completion so that the commercial character of the land is not interrupted.

The purchase of the deer shortly before completion undoubtedly strengthened the overall commercial narrative of the estate. In similar situations, consideration might also be given to whether deadstock – such as machinery, fencing, equipment or other farming assets – is included in the transaction, as this can further support the existence of an active trading operation rather than passive enjoyment of land.

Post-completion planning is also important. An appropriate trading structure should be in place from the effective date of the transaction so that income and expenses are properly recorded from day one. Depending on ownership, a sole trader or partnership structure will often be suitable, not only to evidence ongoing commercial activity but also to facilitate wider tax planning, including income tax reliefs, capital gains tax treatment and inheritance tax considerations.

Implications for smaller farms

Historically, 100 to 150 acres could sustain a farming family. However, improvements in machinery and the steady decline in agricultural profitability have altered that position significantly. Many farmers have had to take on contracting work and diversification, leading to the modern model of farm diversification that we now see across the countryside.

This case is therefore a welcome boost for both the sale and retention of smaller farms. On acquisition, there may be scope to secure the more favourable mixed-use SDLT where genuine commercial activity can be evidenced. On retention of ownership, the December 2025 announcement increasing the inheritance tax allowance to £2.5 million, together with the transferable spouse allowance, add a further dimension to long-term planning.

Importantly, the type of evidence required to support mixed-use treatment – clear demonstration of active, commercial, non-residential use – closely mirrors the evidential requirements for securing 100% business property relief. In both contexts, the emphasis is on substantive trading activity rather than passive landholding. For the farm tax adviser, this underlines the need for careful structuring, thorough documentation and ongoing review. There is no shortage of work ahead.