

Rebecca Evans AS/MS
Y Gweinidog Cyllid a'r Trefnydd
Minister for Finance and Trefnydd



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref RE/00608/20

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11 August 2020

Dear Janet.

Thank you for your letter about the petition relating to the land transaction tax (LTT).

The petition suggests that the temporary changes to LTT in Wales should match the changes to Stamp Duty Land Tax in England, and specifically that we should match the reduction for second home and buy-to-let purchases.

The property market in Wales is different from that in England, with the average house price in Wales (£162,000) lower than the English average price (£248,000). Before any tax changes were made in July, the LTT starting threshold of £180,000 meant that Wales was the only country in the UK with a starting threshold for paying tax that was higher than the average house price. It also meant that around 60% of homebuyers liable to the main rates of LTT paid no tax on their purchase.

Since 27 July, the LTT residential threshold has been temporarily increased to £250,000. This will increase the number of homebuyers who pay no tax to around 80%. This temporary change to LTT applies only to the purchases of main residences until 31 March 2021.

Careful consideration was given to the timing and scope of these changes. The temporary threshold adjustment is intended to encourage transactions in the housing market this year by homebuyers. The temporary tax reduction does not apply to transactions that are subject to the LTT residential property higher rates. The decision was to target the tax savings to those buying their main residence, and not those investing in buy-to-let, second or holiday homes in Wales.

The devolution of this and other taxes, has allowed the Welsh Government greater flexibility to introduce tax policies which are more reflective of the social and economic conditions of Wales. By taking a more targeted and measured approach in Wales with the changes to LTT, the Welsh Government is also able to allocate £30 million to the Social Housing Programme. This will provide support to a range of activities that will boost construction

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

within the social housing sector, which will in turn help to provide homes to people who are some of the most in need in our society.

I understand the frustration of those who will not benefit from the tax reduction in Wales. I also understand those who believe there may be economic benefit from not charging tax on other residential property purchases. The SDLT reductions will have greatest impact where prices are highest, such as in London and the south east of England. If a similarly high threshold was to be applied with LTT, then this would provide a sizeable reduction or remove from tax some of the most expensive home purchases in Wales. This reduction of tax would then be at the expense of being able to fund other measures, such as the boost to social housing funding.

Instead, the Welsh Government's approach removes tax for around 80% of homebuyers in Wales, and a reduction for the remaining 20% easing some of the costs of buying a home whilst also providing a direct stimulus to the Welsh economy from increasing the provision of much needed social housing.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

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