

Apply stamp duty holiday to all house purchases in Wales

Y Pwyllgor Deisebau | 15 Medi 2020
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Petition Number: P-05-1002

Petition title: Apply stamp duty holiday to all house purchases in Wales

Text of petition: It is unfair that the WAG not follow suit as the rest of the UK on the stamp duty holiday announced by the chancellor on 8th July. At present the holiday only applies to first time buyers or those moving up the property chain in Wales. It would benefit the economy more for this holiday apply to prospective landlords, or families wanting to buy a holiday home, or other cases. In England a saving can be made of £15,000 while in Wales a maximum of £2,450. Why are we always the poor neighbour!!!



1. Background

In April 2018, Stamp Duty Land Tax (SDLT) was devolved to Wales. The Welsh Government replaced SDLT with Land Transaction Tax (LTT) and it is responsible for any changes to LTT in Wales.

LTT applies to property purchases in Wales and has different tax rates and bands to SDLT which is paid in England and Northern Ireland.

The Welsh Government published its LTT rates and bands for 2020-21 in its most recent budget. In February 2020, pre-COVID, it was forecast that the residential element of LTT would raise £179 million in 2020-21. The budget set out the rates and bands for purchasing residential properties as shown below.

Table 1. Residential LTT rates and bands for 2020-21

Threshold	LTT rate
£0 - £180,000	0%
£180,001 - £250,000	3.5%
£250,001 - £400,000	5%
£400,001 - £750,000	7.5%
£750,001 - £1.5m	10%
Over £1.5m	12%

UK SDLT changes

On 8 July 2020, the UK Chancellor Rishi Sunak announced in his Summer Statement that residential property transactions up to £500,000 would be exempt from UK SDLT in England and Northern Ireland until 31 March 2021. Previously this exemption only applied to property transactions up to £125,000 and would save buyers as much as £15,000, if they were buying a property of £500,000 or more.

Landlords and second home buyers are also eligible for the tax cut but will still have to pay the extra 3% of stamp duty they were charged under the previous rules.

2. Welsh Government action

In response to these changes, the Welsh Government’s Minister for Finance and Trefnydd, Rebecca Evans MS, announced that the Welsh Government would raise the LTT tax exemption threshold from £180,000 to £250,000 for residential property transactions in Wales until 31 March 2021.

The table shows the new temporary tax rates as a result of the changes made by the Welsh Government.

Table 2. Changes to residential LTT rates and bands for 2020-21

Threshold	LTT rate
£0 - £250,000	0%
£250,001 - £400,000	5%
£40,001 - £750,000	7.5%
£750,001 - £1.5m	10%
Over £1.5m	12%

The Minister commented that the change “will take effect on 27 July to coincide with the full reopening of the housing Market in Wales”.

The medium-term outlook for the housing market is highly uncertain, both in terms of house prices and volume of sales. Much will depend on the performance of the wider economy, which will in turn be determined by how the pandemic and restrictions on activity evolve.

Before the announcement of the change to LTT rates, house prices had started to fall and had been expected to fall further, however the reduction in LTT will save £2,450 for a person purchasing a house valued at £250,000, which will somewhat counteract possible falls in prices and increase demand.

The Minister stated “the new threshold will mean that no tax will be paid on around 80% of transactions in Wales where the main residential rates apply”.

Higher rate purchases

Unlike SDLT, the change to the LTT tax exemption threshold in Wales **will not apply to the purchase of additional properties** such as buy-to-lets and second homes which have to pay an additional 3% in tax on top of the existing rate for their value shown in Table 1.

The Minister for Finance and Trefnydd, Rebecca Evans MS, **noted that** the changes made to LTT in Wales “will support people looking to purchase their first home or those seeking to move up the property ladder. So it will offer more targeted help to those who may be affected by the economic challenges resulting from the pandemic.”

The Minister also **commented**:

By setting these rates for Wales I am also able to confirm the £30 million to the Social Housing Programme that ‘will provide additional support to a range of activities that will boost construction within the social housing sector

Tax scenarios

The Welsh Revenue Authority (WRA) publishes **Land Transaction Tax (LTT) statistics** which reports the tax due by residential tax band on property purchases and residential lease transactions. By taking two-thirds of the total tax 2019-20 due on purchases of residential properties over £180,000, excluding purchases being charged the higher rate, **we have estimated that the tax take relating to the £180,000 to £250,000 band over 8 months is likely to be around £20 million.** This simple calculation has been made as the LTT temporary tax variation between August 2020 and March 2021 spans 8 months.

The table shows a sensitivity analysis which gives some ranges for the possible loss in LTT revenue resulting from the temporary variation to the main tax rates for residential property transactions. The table forecasts the loss in revenue based on 2019-20 LTT data and also accounts for a variation in residential property transactions as a result of the LTT changes.

Table 3. Scenarios on LTT revenue losses for main residential purchases

% change in residential property transactions valued over £180,000	-10%	0%	10%	20%
Total tax loss (£m)	18.5	20.5	22.6	24.6

Source: Research Service calculations using [WRA data](#)

As shown in the table above, while the outlook is unpredictable, allowing for a swing in property transactions of this value of -10% to +20% the amount of income foregone by this change to tax rates could be in the region of £18 million to £25 million.

Table 4 includes lost tax revenue if the increase in the tax exemption threshold applied to both main residential property purchases and higher rate purchases for properties such as second homes. As can be seen, **the Welsh Government could incur an extra £6 million to £8 million loss in LTT revenue for higher rate purchases based on data from last year.** A reduction of property transactions by 10% could result in an overall loss of approximately £24 million whilst an increase of 20% could lead to a loss of approximately £32 million.

Table 4. Scenarios on LTT revenue losses for main residential and higher rate purchases

% change in residential property transactions valued over £180,000	-10%	0%	10%	20%
Total tax loss (£m)	24.3	27	29.7	32.4

Source: Research Service calculations using [WRA data](#)

These tables do not take into account the potential of either reduced demand due to the pandemic and recession or the potential for any increases due to latent demand or stalled transactions being completed.

3. Welsh Parliament action

To change LTT rates and thresholds, the [Land Transaction Tax \(Temporary Variation of Rates and Bands for Residential Property Transactions\) \(Wales\) Regulations 2020](#) were made by Welsh Government on 22 July 2020 and laid before the Senedd on 24 July 2020.

The Senedd must approve the Regulations through an affirmative procedure within 28 days (excluding any days when the Senedd is: (i) dissolved, or (ii) in recess for more than four days) of the date they were made for them to continue to have effect.

On 22 July 2020, the Minister for Finance and Trefnydd, Rebecca Evans, **wrote to the Llywydd** of the Senedd noting the changes to the LTT threshold and her intention to hold a plenary debate on the Regulations on 29 September 2020.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.