Subject: Changes to Land Transaction Tax Higher Rate

Dear Minister,

I write regarding the changes introduced by the Welsh Government’s draft budget for 2021/22, particularly the higher rate of Land Transaction Tax (LTT) for additional homes, taking effect from 22nd December 2020. We strongly object to this decision and the way it has been implemented, believing it is detrimental to thousands of residents and contradicts the Welsh Government’s own budget-setting objectives and values.

Throughout the pandemic, landlords have been subjected to immediate changes that have limited their property rights – as the Senedd’s Legislation, Justice, and Constitution (LJC) Committee has attested. Although we have made our views clear to the Minister for Housing & Local Government on the speed and lack of consultation regarding those decisions (e.g. the extension of notice periods), we understand they were introduced to prevent the spread on public health grounds.

Your decision regarding LTT is not a public health measure and, therefore such a swift introduction has no such justification. The manner of introduction, not to mention the financial impact, has wrought great disruption for those experiencing the already stressful process of house-buying at Christmas time. Those households and businesses already had to contend with the rapidly changing impact of the Coronavirus response restriction, having in many cases seen sales fail for no fault of their own and incurred significant extra costs as a consequence.

Not only is this an unwelcome burden to those private landlords providing housing for those who cannot afford, or choose not to buy at such an uncertain time, it makes it harder for “second-step” owner-occupiers to move to a new home and, thus, free up stock for first time-buyers. This change requires considerable additional funds to be found as those who have been unable to sell their current home until after they have secured their new home, must pay the surcharge upfront and wait to reclaim it upon the sale of their former principal private residence. This may cause some transactions to collapse and cause further hold-ups for anyone caught in a chain.

The start of a national lockdown is not the time to put additional burdens on a sector already facing some of the longest and most severe Coronavirus restrictions and will deter investment in rental properties that we so badly need.
The Welsh Government’s own Budget Narrative document states in paragraph 3.10 that the move to unwind the lifting of the LTT threshold – “is consistent with the Welsh taxes principles of being clear and stable enabling citizens and business to plan with certainty”. This move is not in keeping with the Government’s own taxation principles, nor has there been any impact assessment carried out. While government can and do change taxes at short notices as part of a budget process, businesses and consumers are well aware that such changes may take effect from the date set for the budget. It is most unusual for such changes to be implemented immediately months ahead of such a budget in a draft set of proposals.

Given all this, we are hardly surprised to see the Law Society state “Solicitors across Wales [are] appalled and dismayed with just 4 hours’ notice of the increase in LTT making the housing market incredibly vulnerable during Covid.” We hope that their intervention would at least provoke a rethink from this destabilising decision from the Government.

Therefore, we call on the Welsh Government to drop this change immediately and make good on any transactions this change has already had on those affected.

I have cc’d members and clerks of the Finance and LJC committees so they are also aware of our objections.

We look forward to your reply.

Sincerely,

Chris Norris
NRLA Policy Director

CC: Llyr Gruffydd MS, Alun Davies MS, Sian Gwenllian MS, Mike Hedges MS, Rhianon Passmore MS, Nick Ramsay MS, Mark Reckless MS, Mick Antoniw MS, Carwyn Jones MS, Dai Lloyd MS, David Melding MS.