

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



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref P-05-1139
Ein cyf/Our ref RE/00052/21

Janet Finch-Saunders MS
Chair of the Petition Committee
Ty Hywel
Cardiff Bay
Cardiff
CF99 1NA

8 February 2021

Dear Janet,

Petition P-05-1139 Extend stamp duty relief following the announcement of a further lockdown

Thank you for your email regarding the petition referenced above.

The petition suggests extending the current temporary Land Transaction Tax (LTT) reduction period applying to main rates beyond the end of March for transactions where exchange of contracts takes place before 31 March 2021.

LTT arises when a relevant property transaction is completed, or in relatively exceptional circumstances when it 'substantially performs'. An exchange of contracts is not an event triggering the payment of LTT. I recognise that the petition proposes a transitional rule similar to that used when rates are changed with immediate effect. I do not consider that such a transitional rule is appropriate in this case as the date on which the temporary tax reduction period is to end was announced on 14 July 2020. In contrast, the transitional rule recently provided ensured that people who had exchanged contracts could pay the rate they expected to at the point they exchanged contracts because the rate change was unknown to them but they had contractually committed to a transaction.

The temporary rules were introduced to help the housing market recover from the first lockdown and to support broader economic activity associated with home purchases. The written statement I issued on devolved taxes alongside my announcement of the draft Budget for next year made clear that in Wales we will revert to the pre-existing rules from 1 April 2021. That clear message, three months ahead of the end date, has provided clarity to both buyers and sellers of property to negotiate their transactions appropriately.

The petition refers to a potential "cliff-edge" when the temporary LTT rules expire on 31 March 2021. I have seen this expression used in many of the calls for an extension or for

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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.

transitional rules in relation to the UK Government's stamp duty land tax (SDLT) 'holiday'. The impacts of the current temporary reductions in SDLT are potentially as large as £15,000 (providing a zero liability to tax on properties costing up to £500,000) compared with £2,450 reductions in LTT (providing a zero liability to tax on properties costing up to £250,000). This means for SDLT, the potential tax saving amounts to up to 3% of the property purchase price, whereas in LTT the maximum saving is just under 1% of the property purchase price. For the situation in Wales with LTT, I do not consider that to amount to a "cliff-edge". Whilst some buyers may be upset to have missed out on a potential tax saving, a position I can understand, I do not consider the property market, or wider economy, will be adversely impacted in the absence of an extension of a change which was announced over 8 months earlier.

In its December 2020 report on Welsh Taxes Outlook, the Office for Budget Responsibility (OBR) says with regards to its property market forecast and its effects on LTT, that there will be a "significant fall in residential transactions this year (2020-21) to be followed by a sharp rebound in 2021-22, followed by modest growth thereafter."

Consequently I do not see a need to introduce a new form of relief for transactions which are still at the exchange of contract stage as at 31 March 2021.

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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