



Eich cyf/Your ref: P-06-1445
Ein cyf/Our ref: RE/10000/24

Clerk, Petitions Committee
Senedd Cymru

23 August 2024

Dear Clerk,

Thank you for the previous Chair's follow-up letter regarding Petition P-06-1445, 'Change Land Transaction Tax for First Time Buyers in Wales to be in line with the UK Government'. Below are my responses to the questions raised in the letter.

1. Regional Disparities: How does the Welsh Government plan to support first-time buyers in regions where property prices exceed £225,000?

The Welsh Government, subject to approval by the Senedd of the regulations, sets rates and bands for Land Transaction Tax (LTT) which are uniform across Wales, rather than varying rates by region. This is an approach common to all UK governments with similar responsibilities.

Further, the Welsh Government's position is that LTT should be a progressive tax, meaning that those buying more expensive properties should pay the greatest share of tax, including in transactions that are first-time purchases. Therefore, we have set the starting threshold at which LTT is payable across the whole of Wales on all main rate residential transactions at £225,000.

By setting the threshold at £225,000 the Welsh Government is helping the majority of homebuyers in Wales, whether they are first-time buyers or otherwise. To specifically support first-time buyers based on a higher threshold would reduce tax revenues and would need to be recognised either through reducing the support provided to those homebuyers purchasing in the lower and middle segments of the market, who most need support or would need to be met either by rises in other elements of LTT or in other taxes, or by cuts to the funding of other programmes.

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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.

2. Long-Term Strategy: Is there a strategy to periodically review and adjust LTT thresholds to match market conditions?

I consider LTT rates and bands annually in advance of the draft budget, and at any other time at which circumstances give rise to additional consideration.

The changes made in October 2022 are an example of the latter. As I made clear at the time, I brought forward changes I had intended would be made as part of that year's Draft Budget, in order to give homebuyers certainty. In large part, the changes were made to reflect the increases in house prices since LTT was introduced in 2018.

It is important that we are flexible with regard to the setting of rates and bands rather than link decisions automatically to changes in average house prices. A less flexible approach could risk buyers avoiding purchases at certain times of year, in anticipation of rate changes, which would impact the smooth operation of the housing market. By being flexible we can also make adjustments in response to pressures.

3. Impact Analysis: Has the impact of the current LTT structure on first-time buyers compared to those in England and Northern Ireland been analysed?

The impact of the absence of a first-time buyer's relief in Wales compared to England and Northern Ireland was considered as part of the Independent Review of Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017¹, published on 23 February 2023.

The Review made the following findings:

- There was no evidence to suggest the absence of a first-time buyer relief had had any substantial impact on access to home ownership in Wales.
- Even with an increased proportion of first-time buyers paying a small amount of LTT, there had not been negative impact on access to home ownership in Wales for first time buyers.
- The substantive issues impacting home ownership were availability of property, the value of property, the level of earnings, the availability of finance, and the affordability of mortgages and other financial products, rather than the relatively minor cost of LTT.

4. Percentage of First-Time Buyers: What exact percentage of the transactions under the £225,000 threshold are first-time buyers? You mention most of the 60% are first-time buyers, but knowing the exact figures would help quantify the impact.

The exact percentage is not known. For clarity, my previous letter did not say that most of the 60% of all transactions that are below the starting LTT threshold were first-time buyers, rather that the majority of first-time buyers are likely to be among the 60% of homebuyers who do not pay any LTT. This is because the average price of a first-time purchase for June 2024 is £187,000, which leads me to conclude that the majority of first-time transactions are below £225,000.

¹ [Independent Review of the Land Transaction Tax and Anti-avoidance of Devolved Taxes \(Wales\) Act 2017 \(gov.wales\)](#)

Office for National Statistics data looking at affordability gives a median house price for Wales of £196,500 (September 2023). The first-time buyer median is likely to be lower than this figure, therefore, I do not think it unreasonable to conclude that the majority of first-time buyers' transactions are not liable to pay LTT.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid.

Rebecca Evans AS/MS

Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office