# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Land Transaction Tax – extension of the temporary tax reduction period**  |
| **DATE**  | **3 March 2021** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Trefnydd** |

I am pleased to announce today an extension to the land transaction tax (LTT) temporary tax reduction period that I introduced in July 2020. The tax reduction period applied to residential transactions that completed on or after 27 July 2020 and until 31 March 2021. The extension will apply to transactions that complete from 1 April 2021 to 30 June 2021. From 1 July 2021 the LTT residential property transaction rates and thresholds will revert to those that applied prior to 27 July 2020.

I set out my decision in July 2020 that the starting threshold for land transaction tax main residential rates would be set at £250,000 from 27 July. The new threshold is £70,000 higher than the starting threshold for residential property transactions which existed prior to 27 July. It has resulted in only around 25% of those liable to the main LTT rates paying any tax at all. People buying their home in Wales costing more than £250,000 have made a saving of £2,450 over that which would previously have been payable, and people buying their homes in Wales costing less than £250,000 have not paid anything.

In the period August to January, this targeted tax reduction has supported 10,000 taxpayers in Wales who were liable to the main rates of land transaction tax. These were, broadly, people buying their homes, and who may have needed additional support due to the pandemic. It has increased residential property transactions in 2020-21, from that which would otherwise have occurred, and had a positive effect on the housing market.

However, it is important to continue to ensure that these temporary tax reductions remain targeted, and they will not apply to those buying property that is liable to the higher residential rates of LTT. The rates and thresholds for buyers of residential property acquired as an investment or as a second home remain unchanged.

I am aware that homebuyers in Wales seeking to benefit from the temporary tax reduction period have encountered difficulties, either at different stages of the conveyancing or mortgage process, or in the case of new build property, delays in developers completing the homes. Whilst some of these may be things that would normally have occurred, it is also clear that there will have been some completion dates where the pandemic and the restrictions in place to contain it, would have had an impact. A simple extension will provide support to many of those Welsh taxpayers impacted.

The UK government’s decision to provide an extension to its temporary increase to the stamp duty land tax (SDLT) starting threshold may, as in July, also have an impact on the property market in Wales, especially in the Wales-England border areas. It is important to ensure that distortions to the property market are not exacerbated by decisions in Westminster. It is disappointing that - yet again - the UK government did not work with us in advance to collaborate and join up our tax policy decisions to ensure that we could examine the data and evidence to support our choices.

The main residential rates applying until 30 June 2021 and those that will apply from 1 July 2021 can be viewed at <https://gov.wales/land-transaction-tax-rates-and-bands>.