

Finance Committee Report: The Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) (Amendment) Regulations 2021

March 2021

1. This Statutory Instrument was made on the 3 March 2021 and laid before the Senedd on 4 March 2021. It was considered by the Finance Committee under Standing Order 27.8A at its meeting on 10 March 2021.

Background and Purpose

2. These Regulations amend the Land Transaction Tax (Temporary Variation of Rates and Bands for Residential Property Transactions) (Wales) Regulations 2020 (“the 2020 Regulations”). The purpose of these Regulations is to specify an extension to the current temporary variation to the land transaction tax (“LTT”) rates and bands provided for in the 2020 Regulations that will apply to purchases of certain residential property transactions. This extension commences on 1 April 2021 and ends on 30 June 2021; providing a continuous temporary change period from 27 July 2020 to 30 June 2021, with the rates and bands reverting back to those in force prior to 27 July 2020, after that date.

3. The table below shows the rates and bands as they applied before 27 July 2020 (when the temporary rates came into effect under the 2020 Regulations) and the temporary rates that will now be extended by these regulations until 30 June 2021.

<i>Relevant consideration</i>	<i>Percentage tax rate</i> <i>(Set by the Land Transaction Tax (Tax Bands and Tax Rates) (Wales) Regulations 2018)</i>	<i>Temporary rates</i> <i>Set by the 2020 Regulations and extended by the 2021 Regulations</i>
Not more than £180,000	0%	0%



More than £180,000 but not more than £250,000	3.5%	
More than £250,000 but not more than £400,000	5%	No change
More than £400,000 but not more than £750,000	7.5%	No change
More than £750,000 but not more than £1,500,000	10%	No change
More than £1,500,000	12%	No change

Procedure

Provisional Affirmative Procedure.

4. This instrument contains regulations made under the provisional affirmative procedure set out in section 25(2) of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 . These Regulations are therefore made without a draft having been laid before, and approved by the Senedd.

5. In her letter dated 3 March 2021 to the Llywydd, the Minister for Finance and Trefnydd stated her intention for these regulations to be debated in Plenary on 23 March 2021.

Merits Scrutiny

6. The Explanatory Memorandum states that “this targeted tax reduction will support taxpayers who are paying the main rates of LTT (broadly, those buying their homes) and who may need additional support in deciding to buy their homes as a result of the uncertainty as we move from the peak of the pandemic and towards our economic recovery”. The Explanatory Memorandum also notes that “the tax bands and percentage tax rates applicable to residential property transactions will revert back to those in force before 27 July 2020 on 1 July 2021”.¹

¹ Explanatory Memorandum

7. The Minister said that with regard to the implications for the Welsh Government's 2021-22 Budget:

“...compared to the OBR's LTT forecast used for the final budget, the extension means that there will be a reduction in revenues by £8 million in 2021-22. But that's less than the £26 million additional that the Welsh Government will receive as a result of the UK Government's decisions on stamp duty land tax, so there is a net benefit to us here in Wales.”²

Government Response

8. The Welsh Government notes the content of the report.

Committee View

9. The Committee notes that the Welsh Government has taken a different approach to the UK Government who have decided on a system whereby there is a tapered return to pre-pandemic SDLT rates by the end of September.³

10. Whilst the Minister stated the extension of the LTT reduction would mean a reduction in revenue of £8 million, the Committee notes the £26 million funding coming to Wales following the UK Government SDLT policy announcement.

11. The Committee is content with the Regulations.

²

Finance Committee, RoP, 10 March 2021, paragraph 153

³ [UK Government, extension of temporary increase to the stamp duty tax nil rate band for residential properties](#)
