# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE**  | **Temporary Changes to the Land Transaction Tax Rates and Thresholds**  |
| **DATE**  | **14 July 2020** |
| **BY** | **Rebecca Evans MS, Minister for Finance and Trefnydd** |

I am pleased to announce today changes to the land transaction tax (LTT) rates and thresholds that will apply to purchases of residential property from 27 July 2020 to 31 March 2021. From 1 April 2021 the LTT residential property transaction rates and thresholds will revert to those that apply today.

The changes are in response to those that have been made by the UK government to increase the starting threshold at which the main rates of stamp duty land tax (SDLT) is paid to £500,000. The UK government’s changes will have greatest impact where prices are highest, or where the very wealthiest are able to afford to buy some of the most expensive properties in the local area. The changes introduced by the UK government reflect the nature of the housing market in England, in particular, the challenges facing buyers in London and the South East of England where house prices are considerably higher than they are in Wales.

The Welsh Government had already taken significant steps by ensuring that a majority of home purchases are not taxed. Our current land transaction tax (LTT) threshold of £180,000 means that not only are we the only country in the UK with a starting threshold that is higher than the average price of a home, but also that currently around 60% of homebuyers do not pay tax.

However, despite having the most progressive starting tax threshold in the UK I am today announcing changes to the LTT rates and thresholds. These rates and thresholds have been set so they more closely reflect the property market in Wales and will ensure that we retain a progressive regime that expects those with the broadest shoulders to contribute a larger share in tax.

I have therefore decided that the starting threshold for land transaction tax main residential rates will be set at £250,000 from 27 July. This new threshold is £70,000 higher than our current starting threshold for residential property transactions and will mean that only around 20% of those liable to the main LTT rates will pay any tax at all. Those buying properties costing more than £250,000 will make a saving of £2,450 over that which would previously have been payable.

These changes will not apply to those buying property that is liable to the higher rates. The rates and thresholds for buyers of residential property as an investment or as a second home remain unchanged. This targeted tax reduction will support taxpayers who are paying the main rates of land transaction tax (broadly, those buying their homes) and who may need additional support due to the pandemic.

However, whilst I am able to provide for these tax reductions, in line with this Welsh Government’s principles, I can confirm that we will take a different approach to address broader housing problems faced by those most in need. Today, I can also announce the allocation of £30m to the Social Housing Programme that will provide additional support to a range of activities that will boost construction within the social housing sector.

Taken together the tax changes and spending commitment provide:

* that around 80% of homebuyers will pay no tax on purchasing their home,
* that all buyers of residential property who would have paid the main rates of LTT before 27 July will enjoy a tax saving of up to £2,450, and,
* funding to boost construction in the social housing sector, providing more homes in this sector, and an economic boost to both the important construction sector and the economy more widely.

A table showing the main and higher residential tax rates and bands that will be in force from 27 July to 31 March 2021 is attached.

**Residential Property Transactions**

**Rates and Thresholds from 27 July 2020 to 31 March 2021**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Main rates Residential property transactions** *Tax band*  | *Relevant consideration*  | *Percentage tax rate*  | **Higher rates residential property transactions** *Tax band*  | *Relevant consideration*  | *Percentage tax rate*  |
| Zero rate band  | Not more than £250,000  |  0%  | First tax band  | Not more than £180,000  |  3%  |
| First tax band  | More than £250,000 but not more than £400,000  |  5%  | Second tax band  | More than £180,000 but not more than £250,000 |  6.5%  |
| Second tax band  | More than £400,000 but not more than £750,000  |  7.5%  | Third tax band  | More than £250,000 but not more than £400,000  |  8%  |
| Third tax band  | More than £750,000 but not more than £1,500,000  |  10%  | Fourth tax band  | More than £400,000 but not more than £750,000  |  10.5%  |
| Fourth tax band  | More than £1,500,000  |  12%  | Fifth tax band  | More than £750,000 but not more than £1,500,000  |  13%  |
|  |  |  | Sixth tax band  | More than £1,500,000  |  15%  |
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