

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



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref P-05-1064
Ein cyf/Our ref RE/00825/20

Janet Finch-Saunders MS
Chair, Petitions Committee
petitions@senedd.wales

12 November 2020

Dear Janet,

Thank you for your letter regarding the petition to extend the temporary changes to land transaction tax (LTT) for a further 6 months beyond 31st March 2021 and to increase the temporary threshold to £300,000.

I understand the Petitions Committee have agreed to consider this petition and I thank you for providing me with the opportunity to provide my views before the Committee's consideration.

The temporary changes to LTT mean that from 27 July 2020 until 31 March 2021 all homebuyers subject to the main rates of LTT on properties costing more than £180,000 will now have a tax reduction of up to £2,450 in the period the new rates and thresholds are in force, with those paying no more than £250,000 paying no tax at all. Therefore, during this period, the tax liability on a house purchase at £300,000 is effectively halved. Under the 'normal' starting threshold of £180,000, around 60% of homebuyers liable to the main rates of LTT paid no tax on their purchase. The temporary increase to the threshold to £250,000 increases the proportion of homebuyers who pay no tax to around 80%.

Careful consideration was given to the temporary threshold of £250,000, which has been set to reflect the property market in Wales. The most recent UK House Price Index indicates that the average price of a home in Wales is £173,000 with first time buyers paying on average £149,000. A home costing £300,000 is approaching the top 10% of homes by value in Wales.

Forthcoming changes to Help to Buy in Wales also seek to ensure the property market in Wales is reflected within the terms of the scheme. In September, the Minister for Housing and Local Government announced that the next phase, to commence from April 2021, will see a number of changes from the current scheme, including the reduction of the price cap

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

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.

from £300k to £250k for homes purchased through the next phase. The Minister for Housing and Local Government took the decision to reduce the price cap based on evidence of average house price purchases through the Help to Buy scheme, future house price forecasts, consideration of home purchase taxation bands and the need to ensure homes are affordable and within reach of buyers.

The overall intended effect of the temporary changes to LTT is to provide an economic stimulus to support the housing market and broader economy in Wales during the remainder of this financial year. This is a targeted tax reduction aimed at those who may need additional support to buy their homes during these unprecedented times and the approach we have adopted ensures that we retain a progressive regime that expects those with the broadest shoulders to contribute a larger share in tax.

In addition, by not replicating the UK government changes to stamp duty land tax (SDLT) the Welsh Government has been able to provide £30million of funding to boost construction in the social housing sector, providing more homes in this sector, with an economic boost to the important construction sector and the economy more widely. This additional funding was possible due to the Welsh Government's fiscal framework, and the workings of the block grant adjustments, whereby a reduction in SDLT revenue results in more resources for the Welsh Government. Had the temporary LTT threshold been set higher than £250,000 then this additional funding would not have been achievable to the same extent.

The LTT rates and thresholds are kept under constant review. As this temporary increase to the LTT threshold for house purchases subject to the main rates was always intended to be a time-limited economic stimulus, there are no current plans to extend the period beyond 31 March 2021.

I hope that you and the Petitions Committee find this response helpful.

Yours sincerely,



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