

Change Land Transaction Tax for first time buyers in Wales to be in line with the UK Government

Y Pwyllgor Deisebau | 8 Gorffennaf 2024
Petitions Committee | 8 July 2024

Reference: SR24/8933-1

Petition Number: P-05-1445

Petition title: Change Land Transaction Tax for first time buyers in Wales to be in line with the UK Government.

Text of petition: The UK Government have removed stamp duty for first time buyers who purchase properties under £425K in England and NI. The Welsh Government needs to follow suit by reducing LTT to the same rate for first time buyers in Wales. Currently there is no preferential rate for first time buyers in Wales, it is just a flat rate of under £225K for every house bought here. With rapid rising property prices it is becoming increasingly difficult to find decent properties under the WG threshold of £225K.

Purchasing a first home has become increasingly more difficult for first time buyers, with the current cost of living crisis and rising mortgage rates, and it is made even more difficult in Wales by the Welsh Government by not adding an extra incentive, like the UK Government have. By not removing this tax it will add to people left stuck renting in Wales, unable to get onto the housing market or even buying outside of Wales. Why limit the help and choice for first time buyers in Wales? I believe as much help as possible should be offered to get people onto the property ladder.



1. Background

Land Transaction Tax (LTT) replaced Stamp Duty Land Tax (SDLT) in Wales from 1 April 2018. The Welsh Government sets the rates and bands for LTT, and the Welsh Revenue Authority (WRA) collects and manages the tax for the Welsh Government. There are a number of differences between LTT in Wales and SDLT in England and Northern Ireland.

Purchasers of property or land in Wales must pay LTT over a price threshold of £225,000. There is no rate relief for first time buyers. LTT is set at 6% for properties valued over £225,000 and up to and including £400,000.

SDLT rates and bands for England and Northern Ireland are set by the UK Government. The 0% band currently applies to purchases up to £250,000. For first time buyers there is a threshold of £425,000 under which no SDLT is payable.

1.1. House prices in Wales

The Welsh LTT threshold is higher than the average house price in Wales. According to the HM Land Registry UK House Price Index Wales, the average house price was £211,000 in February 2024, having reduced 1.2 per cent in the last year. The average first time buyer paid £183,000 for their first home.

1.2. Factors affecting first time buyers

According to the 2024 UK Housing Review, the UK is seeing '*very evident strains in the homeownership market*' with a 19 per cent reduction in transactions between 2022 and 2023. The Review states that cost-of-living pressures and rising private rents have affected the ability of first time buyers to save for a deposit. Although fixed rate mortgage pricing has come down a little, rates are still much higher than they were three years ago. These factors are exacerbating a long-term decline in the number of first time buyer mortgages: in 2023 there were 12,600 mortgages provided to first time buyers in Wales, compared with 17,300 in 2021 and 30,300 in 2001.

Mortgage rates have been volatile during early 2024 due to competition between lenders together with uncertainty about cuts to the base rate. The Bank of England has signalled a potential cut to the base rate this summer, which would have a positive impact on the affordability of first time buyer mortgages.

2. Welsh Government action

After the implementation of LTT, the Finance Minister Rebecca Evans MS mentioned that the Office of Budget Responsibility had assessed first time buyers' relief as being ineffective. The OBR had concluded that rate relief for first time buyers would increase house prices and result in few additional purchases.

The Welsh Government commissioned an independent review of LTT. A summary of the review was published in February 2023. A main finding was:

'There is no evidence to suggest that the absence of relief for first time buyers has had any substantial impact on access to home ownership in Wales.'

The Welsh Government has made other help available for first time buyers:

- Help to Buy: a shared equity loan of up to 20 per cent loan to value (LTV) for buyers who have a 5 per cent deposit, on new build homes only
- Homebuy Wales: an equity loan of 30 to 50 per cent LTV for those who meet specific criteria, to assist with purchasing an existing property. The Welsh Government website states that there are 17 participating social landlords in Wales. The Welsh Government has made £8.5 million available over three years to support Homebuy in Dwyfor.
- Shared Ownership Wales: part-ownership, part-renting, with the ability to 'staircase' to full ownership. Currently offered by six housing associations in Wales with Welsh Government funding. Other social landlords may offer their own schemes not funded by the Welsh Government.
- Rent to Own Wales: the Welsh Government website states that although Rent to Own is no longer funded, some properties are still being built and therefore may be available to new applicants. The website states that there are ten participating housing associations in Wales.
- Self Build Wales: loans to fund up to 100% of build costs and 75% of land costs for self-built or custom-built homes. Administered by the Development Bank for Wales and supported by the Welsh Government.

Every effort is made to ensure that the information contained in this briefing is correct at the time of publication. Readers should be aware that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.