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Four in ten first-time buyers have benefitted from stamp duty holiday

An extra four in ten first-time buyers (FTBs) have been exempt from paying stamp duty as a result of the Government raising the starting threshold from £125,000 to £250,000¹ over the past two years, according to estimates from Halifax.

The temporary increase in the threshold has meant that 95% of first-time buyers over the period have not had to pay stamp duty.

An estimated 150,000 first-time buyers² have benefitted from the increase in the threshold over the past two years with approximately 380,000 first-time buyers paying no stamp duty.

Returning the starting threshold to £125,000 will result in nearly 45% of first-time buyers paying stamp duty.

Regional Differences (Table 1)

The South East and Greater London have benefitted most from the change with around seven in ten first-time buyers having to pay no stamp duty directly due to the raising of the threshold from £125,000 to £250,000.

The North and Northern Ireland have benefitted the least with only one in six first-time buyers exempt from the tax as a result of the increase.

Only 4% of first-time buyers in Greater London will be exempt from stamp duty when the starting threshold returns to £125,000. Four in five first-time buyers in the South East will pay the tax.

The proportions of first-time buyers paying stamp duty will be much lower in other parts of the country with less than one in five paying the tax in the North and Northern Ireland.

Martin Ellis, Halifax housing economist, commented:

"The stamp duty holiday has directly helped four in ten first-time buyers over the past two years. Regionally, the impact has varied considerably with around seven in ten first-time buyers in London and the South East exempt from the tax as a direct result of the temporary change. Returning the threshold to £125,000 will hit those buying their first home in these parts of the country most.

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"The doubling in the starting threshold has been a significant benefit to those who have benefitted during a time of economic and financial difficulty for many. A first-time buyer making a purchase of £200,000 will see their buying costs increase by £2,000."

OTHER KEY FACTS

Higher stamp duty thresholds unchanged since their introduction in July 1997
If the higher stamp duty thresholds were increased in line with house price inflation since July 1997 - when the £250,000 and £500,000 stamp duty thresholds were introduced - they would now stand at £584,000 and £1,169,000 respectively.

More than one in four FTB purchases in London have still been liable to stamp duty...
Whilst areas outside London and the South East have benefitted most from the stamp duty holiday, more than a quarter (27%) of first-time buyers purchases in the capital and 6% of first-time buyer purchases in the South East have still had to pay stamp duty.

...whilst nearly all FTB purchases outside London and the South East have been exempt

In contrast, over 95% of first-time buyer purchases have been below the temporary starting threshold of £250,000 in all regions outside Greater London and the South East. These differences are explained by the much higher percentage of first-time buyer purchases above £250,000 in London and the South East.

Significant rise in residential stamp duty revenue over the past decade

There was a more than threefold increase in revenue from £2.15bn in 2000-01 to a peak of £6.68bn in 2007-08. Revenue has since fallen to £4.04bn in 2010-11³. (Source: HMRC)

Higher stamp duty bands generate almost 90% of revenue

Residential stamp duty revenue raised at the higher stamp duty bands (i.e. above £250,000) accounted for 87% (£3.5bn) of all residential stamp duty revenue in 2010-11. Five years earlier in 2005-06, the higher stamp duty bands contributed 74%. (Source: HMRC)

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Table 1: % First time buyers by stamp duty threshold by region

% of FTB Sales by Stamp Duty Thresholds					
Total for April 2010 to February 2012					
	FTB Average Price (£) 2011 Q4	<£125k	£125k-£250k	£250k-£500k	£500k
North	98,899	83%	17%	0%	0%
Yorkshire and the Humber	88,838	79%	21%	1%	0%
North West	93,456	77%	22%	1%	0%
East Midlands	104,006	76%	23%	1%	0%
West Midlands	106,518	69%	30%	1%	0%
East Anglia	133,040	53%	46%	2%	0%
Wales	104,916	79%	21%	1%	0%
South West	132,779	38%	59%	3%	0%
South East	158,485	20%	73%	6%	0%
Greater London	217,704	4%	69%	24%	3%
Northern Ireland	77,395	82%	17%	0%	0%
Scotland	87,440	76%	23%	1%	0%
UK	120,571	57%	38%	5%	0%

Source: Halifax

Percentages may not add up to 100% due to rounding.

Editors' Notes

¹ From 25th March 2010 the lowest stamp duty threshold was raised from £125,000 to £250,000 for first-time buyers for two years until 24th March 2012.

² Mortgage borrowers only. Based on CML figures.

³ Provisional.

BACKGROUND ON STAMP DUTY

The current* structure of stamp duty is:

Less than £125,000 (Less than £250,000 for FTBs*)

£125,000<£250,000 (except for FTBs*)

zero

1% on entire price

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£250,000<£500,000	3% on entire price
£500,000<£1,000,000	4% on entire price
£1,000,000+	5% on entire price

* The lowest (i.e. nil rate) threshold is due to revert to £125,000 for FTBs in March 2012

The Recent History of Stamp Duty on Housing:

- From 20th December 1991 to 20th August 1992, the Chancellor announced a "stamp duty holiday" which exempted all property sales of less than £250,000 from stamp duty.
- On 20th August 1992, stamp duty was once again charged at 1% on property sales exceeding £30,000.
- In March 1993, the threshold was raised from £30,000 to £60,000 for exemption from the paying of stamp duty of 1%.
- In July 1997, stamp duty increased to 1.5% on properties between £250,000 and £500,000. Over £500,000 increased to 2%.
- In March 1998, stamp duty increased to 2% on properties between £250,000 and £500,000. Over £500,000 increased to 3%.
- In March 1999, stamp duty increased to 2.5% on properties between £250,000 and £500,000. Over £500,000 increased to 3.5%.
- In March 2000, stamp duty increased to 3.0% on properties between £250,000 and £500,000. Over £500,000 increased to 4.0%.
- On 30th November 2001, stamp duty was abolished for all property transactions up to £150,000 in nearly 2,000 disadvantaged areas across the UK.
- In the 2005 Budget the lowest stamp duty threshold was raised from £60,000 to £120,000. The lower threshold was further raised to £125,000 in March 2006.
- Between 3rd September 2008 and 31st December 2009 the lowest stamp duty threshold was temporarily raised from £125,000 to £175,000. The higher thresholds were unchanged.
- From 25th March 2010 the lowest stamp duty threshold was raised from £125,000 to £250,000 for first-time buyers for two years until 24th March 2012.
- From April 2011 stamp duty increased to 5.0% from 4.0% on properties over £1 million.

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