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FOR IMMEDIATE RELEASE

## Housing market recovery pushes stamp duty revenues to record high

- Stamp duty revenues raised on residential properties are projected to have risen by over 20% in 2014/15 to a record £8.0 billion
- Three quarters of all home buyers are liable to pay stamp duty, ranging from nearly all sales in London to around half in northern England and Wales
- London's share of all revenue raised in the UK increased from 28% in 2006/07 to 42% in 2013/14
- Two thirds of all first-time buyer purchases in London are above £250,000 compared with only 1-2% in many regions
- No evidence so far of a dampening in activity at the very top end of the market following the recent reform of stamp duty

A higher number of residential property transactions and increased prices are estimated to have brought a further significant boost in stamp duty revenues in the current 2014/15 tax year. Halifax estimates an increase in revenues from stamp duty on residential sales of over 20% in 2014/15<sup>1</sup> from £6.45 billion in 2013/14 to a record £8.0 billion; comfortably exceeding the previous high of £6.68 billion at the peak of the last housing market boom in 2007/08.

This is more than a 15 times as much as the £520 million raised by residential stamp duty 20 years ago' in 1994/95.

### Impact of the new stamp duty structure (Table 1)

Under the new progressive structure of stamp duty introduced on 4<sup>th</sup> December 2014, no tax is paid on any of the value of a property below the starting threshold of £125,000. Above the first threshold, tax is charged at the relevant rate on the amount by which the selling price exceeds the threshold. This is continued through the various thresholds to the top rate.

Based on the current average house price in England and Wales of £259,708<sup>2</sup>, a typical home buyer pays a total of £2,985 in stamp duty. Under the old flat structure, a buyer paying this price would have been subject to stamp duty payments of £7,791 – a saving of £4,806.

In all regions, buyers are often making large savings. In cash terms, the largest savings are in London (£4,830) and the South East (£3,843).

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The 'tipping point' price is £938,000, at which point the buyer is worse off under the new structure.

While it remains very early days, so far there are no signs of any marked changes in behaviour as a result of the changes made to stamp duty at the start of December. The proportions of all sales in each of the bandings in December 2014 and January 2015 are almost identical to those in the preceding three months (September-November 2014).

This equally applies at the top end of the market where the proportion of sales in London above £925,000 is unchanged at 9%; suggesting that the increase in stamp duty on such sales is not significantly deterring purchases in this market segment.

**Table 1: Average Stamp Duty payable - New structure v old**

	Average Price £	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+	New Stamp Duty Structure - amount payable	Old Stamp Duty Structure - amount payable
North	147,170	£0	£443	£0	£0	£0	£443	£1,471
Yorkshire & Humber	164,630	£0	£792	£0	£0	£0	£792	£1,646
North West	164,984	£0	£799	£0	£0	£0	£799	£1,649
East Midlands	172,441	£0	£948	£0	£0	£0	£948	£1,724
West Midlands	185,215	£0	£1,204	£0	£0	£0	£1,204	£1,852
East Anglia	224,018	£0	£1,980	£0	£0	£0	£1,980	£2,240
Wales	159,749	£0	£694	£0	£0	£0	£694	£1,597
South West	242,015	£0	£2,340	£0	£0	£0	£2,340	£2,420
South East	307,844	£0	£2,500	£2,892	£0	£0	£5,392	£9,235
Greater London	516,948	£0	£2,500	£13,347	£0	£0	£15,847	£20,677
<b>England &amp; Wales</b>	<b>259,708</b>	<b>£0</b>	<b>£2,500</b>	<b>£485</b>	<b>£0</b>	<b>£0</b>	<b>£2,985</b>	<b>£7,791</b>

Source: Land Registry, HMRC and Halifax

## Impact of stamp duty changes on homebuyers (Table 2)

Three-quarters (76%) of all home purchases in England and Wales in December 2014 and January 2015 were above the starting stamp duty threshold of £125,000.

Nearly all homebuyers in London paid stamp duty with just one in five (21%) purchases in the lowest band of £125,000 to £250,000.

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In contrast, more than half (53%) of buyers in the North East were below the starting point for stamp duty payments of £125,000. Almost a half of all property purchasers in the North West (46%), Yorkshire & Humber (45%) and Wales (44%) were similarly exempt from the tax.

**Table 2: All Buyers, New Stamp Duty Thresholds**

% of All Properties by Stamp Duty Thresholds December 2014 - January 2015						
	Average Price £	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+
North	147,170	53%	37%	10%	0.1%	0.0%
Yorkshire & the Humber	164,630	45%	42%	13%	0.1%	0.0%
North West	164,984	46%	41%	13%	0.1%	0.0%
East Midlands	172,441	37%	50%	13%	0.1%	0.0%
West Midlands	185,215	35%	48%	16%	0.2%	0.0%
East Anglia	224,018	17%	57%	25%	0.4%	0.0%
Wales	159,749	44%	44%	11%	0.0%	0.0%
South West	242,015	12%	57%	30%	0.4%	0.1%
South East	307,844	8%	46%	45%	1.5%	0.4%
Greater London	516,948	2%	21%	69%	5.1%	3.7%
<b>England &amp; Wales</b>	<b>259,708</b>	<b>24%</b>	<b>44%</b>	<b>31%</b>	<b>1.2%</b>	<b>0.6%</b>

Source: Land Registry

### Regional differences in stamp duty revenue (Table 3)

81% of stamp duty revenue raised in the UK in 2013/14 was in the four regions of southern England – Greater London, South East, South West and East of England. This was significantly higher than their 71% share in 2007/08 when total stamp duty revenues were at a similar level (£6.68 billion in 2007/08 against £6.45 billion in 2013/14).

London alone contributed 42% of all UK stamp duty revenues in 2013/14 compared with 28% in 2007/08. Indeed, London is the only region to have seen an increase in revenues between 2007/08 and 2013/14.

### First-time buyers (Table 4)

Two in five (40%) of all purchases by first-time buyers (FTBs) were below the £125,000 threshold at which stamp duty becomes payable during the three months from December 2014 to February 2015.

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No sales to FTBs in London were below £125,000 in this period whereas almost three-quarters of FTB purchases in Northern Ireland (74%) and the North (73%) were for less than £125,000.

Two-thirds of FTB purchases in London were above £250,000 and one-quarter in the South East. In contrast, only 1-2% of FTB purchases in the northern regions of England, Wales and Northern Ireland were above £250,000.

**Martin Ellis, housing economist at Halifax, commented:**

“The recovery in the housing market over the past couple of years has pushed up stamp duty revenues to record highs. London has borne the brunt of the increase and was the only region to raise more revenues in 2013/14 than at the height of the last boom in 2007/08.

“It remains very early to assess the impact of December’s welcome reform of the tax. The early signs, however, are that the increase in tax on properties priced above £938,000 have not deterred purchases at the very top end of the market.”

**ENDS**

**Notes to editors:**

<sup>1</sup>The Office of Budget Responsibility is projecting a 22% rise between 2013/14 and 2014/15 in all property (i.e. including commercial) stamp duties. Applying this percentage to residential sales only would boost revenues to £7.9 billion in 2014/15. *Source: Autumn Statement 2014.*

<sup>2</sup>Based on Land Registry house price data for transactions in December 2014 and January 2015.

**The Recent History of Stamp Duty:**

- 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.
- On the 2nd September 2008 the lowest stamp duty threshold was raised from £125,000 to £175,000 for one year. The higher thresholds were unchanged.
- On 22nd April 2009 Stamp duty holiday (£125,000 to £175,000), extended to 31st December 2009.
- On 24th March 2010 Stamp duty threshold for FTB's raised from £125,000 to £250,000 for 2 years (until 25.03.12).
- On 5th April 2011 Stamp duty on residential property sales over £1m increased from 4% to 5%.
- On 21st March 2012 15% rate to be applied to residential properties over £2 million purchased by certain persons, including corporate bodies.
- On 22nd March 2012 Stamp duty on residential property sales over £2m increased from 5% to 7%.

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- On 4th December 2014 new thresholds and rates introduced and rates became marginal (i.e. applying only to the proportion of the purchase price between thresholds) rather than applying to the entire transaction price.

**Table 3: Residential Stamp Duty Revenues by Region (£ million)**

	2000-01	2007-08	2008-09	2012-13	2013-14
North East	25	95	40	50	65
North West	110	355	150	185	250
Yorkshire & the Humber	65	260	110	145	180
East Midlands	70	255	105	135	175
West Midlands	100	320	135	175	230
East	205	700	295	455	605
London	710	1,895	870	2,020	2,720
South East	475	1,505	680	1,080	1,385
South West	180	665	295	405	520
Wales	30	130	55	70	90
Scotland & N Ireland	185	500	220	185	235
<b>UK</b>	<b>2,145</b>	<b>6,680</b>	<b>2,950</b>	<b>4,905</b>	<b>6,450</b>

Source: HMRC

**Table 4: First-Time Buyers**

% of All Properties by Stamp Duty Thresholds						
December 2014 – February 2015						
	Average Price (£)	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+
North	110,592	73%	26%	1%	0.0%	0%
Yorkshire & the Humber	122,740	64%	34%	2%	0.0%	0%
North West	125,491	61%	36%	2%	0.0%	0%
East Midlands	128,032	56%	43%	1%	0.0%	0%
West Midlands	138,044	51%	45%	4%	0.0%	0%
East Anglia	172,758	26%	64%	10%	0.0%	0%
Wales	122,253	60%	38%	1%	0.0%	0%
South West	174,306	17%	75%	8%	0.0%	0%
South East	226,043	7%	67%	25%	0.2%	0%
Greater London	334,886	0%	32%	66%	0.8%	0%

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Northern Ireland	107,871	74%	25%	1%	0.0%	0%
Scotland	126,144	60%	35%	4%	0.0%	0%
<b>UK</b>	<b>173,093</b>	<b>40%</b>	<b>44%</b>	<b>15%</b>	<b>0.1%</b>	<b>0%</b>

Source: Halifax

## Tables 5a & 5b

### 5a: Stamp Duty Thresholds from 4<sup>th</sup> December 2014

Stamp duty threshold	Rate
Less than £125,000	Zero
£125,001 to £250,000	2%
£250,001 to £925,000	5%
£925,001 to £1,500,000	10%
Over £1,500,000	12%

### 5b: Pre-December 2014 Stamp Duty Thresholds

Stamp duty threshold	Rate
<£125,000	Zero
£125,001 to £250,000	1%
£250,001 to £500,000	3%
£500,001 to £1,000,000	4%
£1,000,001 to £2,000,000	5%
£2,000,000 +	7%

Source: HMRC

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