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UNDER EMBARGO UNTIL 00:01AM ON 7 DECEMBER 2015

Majority of home buyers benefit from stamp duty changes

- Typical home buyer approximately £4,500 better-off due to last year's stamp duty changes
- Dampening in activity at the very top end of the market following the reforms with a bigger decline in sales over £1.5 million than for the market as a whole.
- Stamp duty revenues raised on residential properties increased to a record £7.5 billion in 2014-15

The average home buyer is £4,500 better-off under the new progressive structure of stamp duty introduced on 4 December 2014, according to Halifax.

Since the changes came into force a year ago the typical home buyer has paid a total of £3,676 in stamp duty (based on the current average house price in England and Wales of £273,531¹). Under the previous flat structure, a buyer paying this price would have been subject to stamp duty payments of £8,205 – a saving of £4,529 (see table 1).

The 'tipping point' price is £938,000, when a buyer is worse off under the new stamp duty structure.

Impact of the new stamp duty structure

Sales above £925,000 – just below the 'tipping point' – in the first six months of 2015 were 10% lower than in the first half of 2014. This decline was exactly in line with the market as a whole, with total sales also down by 10%. This is in contrast to both 2013 and 2014 when the prime end of the market was significantly outperforming the rest of the market.

More significantly, sales above £1.5 million, which are more affected by the changes, have seen a bigger impact with a 20% decline; twice the market fall.

Stamp duty revenues in 2014-15 surpass previous 2007-08 record

Increased property prices and a higher number of residential property transactions boosted stamp duty revenues by 16% between 2013-14 and 2014-15 to a new record high of £7.5 billion (see table 2). This comfortably exceeded the previous high of £6.68 billion at the peak of the last housing market boom in 2007-08 and was more than 14 times as much as the £520 million raised by residential stamp duty 20 years ago' in 1994-95.

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London and stamp duty revenue

London alone contributed 40% of all UK stamp duty revenues in 2014-15 compared with 13% of all property transactions. London's stamp duty share has risen from 28% in 2007-08, with revenues raised in the capital increasing by 60% from £1.9 billion in 2007-08 to £3.0 billion in 2014-15 (see table 2).

Impact of stamp duty on home buyers

Four-fifths (80%) of all home purchases in England and Wales between May 2015 and July 2015 were above the starting stamp duty threshold of £125,000 ranging from nearly all sales in London to 55-60% in northern England and Wales. This compares to 71% in 2006 when the starting threshold was initially raised to its current level. The starting threshold would now be £157,000 (£32,000 higher) if it were raised in line with house price inflation since 2006 (see table 3).

First-time buyers (FTBs) and stamp duty

Nationally, nearly one-third (32%) of all purchases by FTBs were below the £125,000 threshold at which stamp duty becomes payable during the three months from August 2015 to October 2015 (see table 4).

Commenting, Craig McKinlay, Mortgages Director at Halifax, said:

"The changes made to stamp duty a year ago have been of significant benefit to many buyers. Only those purchasing the most expensive homes are worse off. There is some evidence that the top end of the market has been adversely affected by the changes with sales over £1.5 million falling by twice as much as the market as a whole.

"The failure to index the start point for stamp duty in line with house price inflation has dragged more buyers into the tax net in recent years. Buyers in London have been particularly badly affected with the capital accounting for an increasing and disproportionately large share of stamp duty revenues."

ADDITIONAL REGIONAL FINDINGS

- London is one of only three regions to have seen an increase in residential stamp duty revenues between 2007-08 and 2014-15. The others are the East of England (+9%) and the South East (+8%).
- 72% of stamp duty revenue raised in the UK in 2014-15 was in London, the East of England and the South East. This was significantly higher than their 61% share in 2007-08.
- Nearly all homebuyers in London pay stamp duty with 99% of purchases in the capital above £125,000 (71% in 2006). Indeed, only one home purchase in six (16%) in London is below the upper limit of £250,000 for the lowest 2% tax band. This compares with nearly two-thirds (63%) of purchases in England and Wales as a whole below £250,000.

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- In contrast, nearly a half (45%) of all homebuyers in the North East and approximately four in ten in the North West, Wales and Yorkshire and the Humber are purchasing below the starting point for stamp duty payments of £125,000.
- No sales to FTBs in London were below £125,000 during Aug-Oct 2015. At the other end of the spectrum, more than a half of FTB purchases in Northern Ireland (73%), the North East (63%), Wales (55%), Yorkshire and the Humber (54%) and the North West (51%) were for less than £125,000 and therefore not liable for stamp duty.
- More than 80% of FTB purchases in London and 38% in the South East were above £250,000. In contrast, less than 5% of FTB purchases in the northern regions of England, Wales and Northern Ireland were above £250,000.

Table 1: Average Stamp Duty payable (£) - Post Dec '14 v Pre Dec '14

	Average Price £	<£125k	£125k-£250k	£250k-£925k	>£925k	Post Dec '14 - amount payable	Pre Dec '14 - amount payable
North East	159,175	0	683	0	0	683	1,591
Yorkshire and the Humber	175,624	0	1,012	0	0	1,012	1,756
North West	173,123	0	962	0	0	962	1,731
East Midlands	187,530	0	1,250	0	0	1,250	1,875
West Midlands	197,139	0	1,442	0	0	1,442	1,971
East Anglia	237,973	0	2,259	0	0	2,259	2,379
Wales	166,018	0	820	0	0	820	1,660
South West	256,500	0	2,500	325	0	2,825	7,695
South East	329,578	0	2,500	3,978	0	6,478	9,887
Greater London	551,261	0	2,500	15,063	0	17,563	22,050
England & Wales	273,531	0	2,500	1,176	0	3,676	8,205

Source: Land Registry, HMRC and Halifax

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Table 2: Residential Stamp Duty Revenues by Region (£ million)

	2000-01	2007-08	2008-09	2012-13	2013-14	2014-15
North East	25	95	40	50	60	70
North West	110	355	150	185	240	290
Yorkshire and the Humber	65	260	110	145	180	205
East Midlands	70	255	105	135	180	230
West Midlands	100	320	135	175	225	275
East	205	700	295	455	610	760
London	710	1,895	870	2,020	2,725	3,030
South East	475	1,505	680	1,080	1,385	1,630
South West	180	665	295	405	520	605
Wales	30	130	55	70	90	105
Scotland & N Ireland	185	500	220	185	235	295
UK	2,145	6,680	2,950	4,905	6,450	7,500

Source: HMRC

Table 3: All Buyers, New Stamp Duty Thresholds

% of All Properties by Stamp Duty Thresholds (May-July 2015)						
	Average Price £	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+
North East	159,175	45%	43%	12%	0.1%	0.0%
Yorkshire & the Humber	175,624	38%	46%	15%	0.1%	0.0%
North West	173,123	40%	44%	15%	0.2%	0.0%
East Midlands	187,530	30%	52%	18%	0.1%	0.0%
West Midlands	197,139	29%	50%	21%	0.2%	0.1%
East Anglia	237,973	14%	56%	30%	0.4%	0.1%
Wales	166,018	40%	47%	13%	0.1%	0.0%
South West	256,500	10%	54%	35%	0.5%	0.1%
South East	329,578	6%	40%	53%	1.6%	0.5%
Greater London	551,261	1%	15%	75%	6.1%	3.6%
England & Wales	273,531	20%	43%	35%	1.3%	0.6%

Source: Land Registry

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Table 4: First-Time Buyers

% of FTBs by Stamp Duty Thresholds (August – October 2015)						
	Average Price (£)	<£125k	£125k-£250k	£250k-£925k	£925k-£1.5m	£1.5m+
North East	119,659	63%	35%	2%	0.0%	0.0%
Yorkshire & the Humber	132,932	54%	43%	3%	0.0%	0.0%
North West	136,451	51%	45%	4%	0.0%	0.0%
East Midlands	144,997	43%	51%	6%	0.0%	0.0%
West Midlands	149,739	40%	53%	7%	0.0%	0.0%
East Anglia	183,578	16%	70%	14%	0.0%	0.0%
Wales	129,149	55%	42%	3%	0.0%	0.0%
South West	189,451	13%	75%	12%	0.1%	0.0%
South East	248,574	4%	57%	38%	0.1%	0.0%
Greater London	381,022	0%	16%	82%	1.2%	0.1%
Northern Ireland	109,190	73%	26%	1%	0.0%	0.0%
Scotland	132,719	55%	40%	5%	0.0%	0.0%
UK	194,415	32%	45%	22%	0.2%	0.0%

Source: Halifax

Notes to editors:

Under the progressive structure introduced on 4th December 2014, no stamp duty 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.

¹ Based on Land Registry house price data for transactions in July 2015 and June 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%.
- 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.

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Tables 5a & 5b

5a: Stamp Duty Thresholds from 4th 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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