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## Nearly one in three homebuyers benefit from the increase in the residential stamp duty threshold

The lowest stamp duty threshold was temporarily raised from £125,000 to £175,000 a year ago<sup>1</sup>. New Halifax research shows that up to 112,000 homebuyers in England and Wales - 31% of all buyers – have been exempt from paying the tax as a result over the ten months between September 2008 and June 2009, according to the latest data<sup>2</sup>.

More than a quarter (27%) of first-time buyers (FTBs) are estimated to have not paid stamp duty during September 2008 - August 2009 because of the raising of the nil rate threshold. Only 17% of FTB purchases during this period were above the temporarily higher threshold of £175,000. The proportion of FTBs in the UK that would have paid stamp duty if the threshold had been £125,000 would have been 43%.

The numbers benefiting from the increase in the threshold have been significantly lower than would have been the case in other years due to the very low level of house sales over the past year. There were 366,000 sales in England and Wales between September 2008 and June 2009; 50% lower than in the same period a year earlier.

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

"The temporary raising of the lowest stamp duty tax threshold has removed a significant number of homebuyers from the tax net. This has been a boost to many people in a very difficult economic climate. The impact has added to the far more significant effect of the reduction in house prices in helping to reduce the costs of buying a home over the past year. Lower prices have also brought some properties below £175,000, therefore making the purchasers of such properties exempt from stamp duty whereas they would not have been a year ago."

### **KEY FINDINGS**

- There were 230,829 home sales in England and Wales below £175,000 during the period from September 2008 to June 2009 with 119,083 below £125,000.
- In percentage terms, 63% of sales in England and Wales during the period September 2008 to June 2009 were below £175,000 compared with 33% below £125,000.

<sup>1</sup> On 2<sup>nd</sup> September 2008 the lowest stamp duty threshold was raised from £125,000 to £175,000, initially for one year. This was extended to the end of 2009 in April's Budget.

<sup>2</sup> Those purchasing a property between £125,000 and £150,000 in 2,000 designated disadvantaged areas would have been exempt anyway. See section on *The Recent History of Stamp Duty on Housing* at the end of this release.

- There are some significant regional differences. Increasing the lowest stamp duty threshold has benefited buyers in all regions, but has had a more pronounced impact outside the south east. For example, only 22% of total sales were below £175,000 in London during the period September 2008 to June 2009 compared to 84% in the North. (See Table 1)
- More than 90% of FTB sales were below £175,000 in all regions outside southern England. The exceptions were: East Anglia (89%), South West (85%), South East (67%) and Greater London (34%). (See Table 2)

**Table 1: All Buyers**

<b>% of All Properties by Stamp Duty Thresholds</b>						
<b>Total for September 2008 to June 2009</b>						
	<b>&lt;£125k</b>	<b>&lt;£175k</b>	<b>£125k-£175k</b>	<b>£175k-£250k</b>	<b>&gt;£250k</b>	<b>&gt;£500k</b>
North	53%	84%	31%	12%	8%	1%
Yorkshire and the Humber	50%	83%	32%	13%	9%	1%
North West	50%	83%	33%	14%	9%	1%
East Midlands	48%	81%	34%	15%	9%	1%
West Midlands	43%	77%	34%	16%	12%	1%
East Anglia	33%	70%	37%	21%	15%	2%
Wales	48%	81%	33%	15%	8%	1%
South West	22%	58%	36%	25%	21%	3%
South East	16%	47%	30%	30%	29%	6%
Greater London	5%	22%	17%	36%	51%	13%
Northern Ireland	38%	78%	39%	14%	6%	1%
Scotland	50%	71%	21%	16%	10%	2%
<b>England &amp; Wales</b>	<b>33%</b>	<b>63%</b>	<b>31%</b>	<b>22%</b>	<b>20%</b>	<b>4%</b>
<b>UK</b>	<b>32%</b>	<b>63%</b>	<b>31%</b>	<b>22%</b>	<b>20%</b>	<b>4%</b>

Sources: Land Registry (England regions and Wales) and Halifax (Scotland and N Ireland)

**Table 2: First-Time Buyers (FTBs)**

<b>% of FTB Sales by Stamp Duty Thresholds</b>						
<b>Total for September 2008 to August 2009</b>						
	<b>&lt;£125k</b>	<b>&lt;£175k</b>	<b>£125k-£175k</b>	<b>£175k-£250k</b>	<b>&gt;£250k</b>	<b>&gt;£500k</b>
North	83%	97%	14%	3%	0%	0%
Yorkshire and the Humber	79%	97%	18%	3%	0%	0%
North West	76%	95%	19%	4%	1%	0%
East Midlands	76%	95%	19%	4%	0%	0%
West Midlands	69%	94%	25%	4%	1%	0%
East Anglia	56%	89%	33%	10%	1%	0%
Wales	77%	97%	20%	2%	1%	0%
South West	39%	85%	46%	12%	3%	0%
South East	22%	67%	46%	26%	6%	0%
Greater London	7%	34%	28%	47%	18%	1%
Northern Ireland	53%	94%	41%	5%	1%	0%
Scotland	73%	93%	20%	6%	1%	0%
<b>England &amp; Wales</b>	<b>54%</b>	<b>82%</b>	<b>27%</b>	<b>14%</b>	<b>4%</b>	<b>0%</b>
<b>UK</b>	<b>57%</b>	<b>83%</b>	<b>27%</b>	<b>13%</b>	<b>4%</b>	<b>0%</b>

Source: Halifax

## BACKGROUND

### The current\* structure of stamp duty is:

Less than £175,000	zero
£175,000<£250,000	1% on entire house price
£250,000<£500,000	3% on entire house price
£500,000+	4% on entire house price

\* The lowest (i.e. nil rate) threshold is due to revert to £125,000 in January 2010

### 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.
- On 2<sup>nd</sup> September 2008 the lowest stamp duty threshold was raised from £125,000 to £175,000 for one year. The higher thresholds were unchanged. This was extended to the end of 2009 in April's Budget