



Residential stamp duty revenue rises by 40% in 2006/07

New figures from HMRC show that total stamp duty revenue from residential property sales rose by 40% (£1.6bn) in 2006/07 to a record £6.4bn. Over the past five years annual residential stamp duty revenue has **more than doubled** with a 140% rise from £2.7bn in 2001/02 to £6.4bn in 2006/07.

Higher stamp duty bands generate nearly 80% of total residential stamp duty revenue

Residential stamp duty revenue raised at the higher stamp duty bands (3% on sales between £250,000 and £500,000 and 4% above £500,000) accounted for 79% of all residential stamp duty revenue in 2006/07, at £5.1bn. Five years ago in 2001/02, the higher stamp duty bands contributed 61% of total residential stamp duty revenue.

Tripling in revenues from higher stamp duty bands in past five years

Stamp duty revenue raised from sales of properties valued at more than £250,000 rose by 208% in the past five years from £1.6bn in 2001/02 to £5.1bn in 2006/07. More than nine-tenths (92%) of the rise in the total annual residential stamp duty take over the five years has been due to an increase in the amount raised at the higher stamp duty bands.

South of England generates most stamp duty revenue

The South of England* contributed 73% of all residential stamp duty revenues in 2006/07 at £4.7bn, led by £1.7bn of stamp duty revenue from London (27% of the UK total). Two other regions generated stamp duty revenue of at least £1bn – the South East (£1.4bn) and the South West (£1.0bn).

Northern Ireland and the South West see biggest increases in residential stamp duty in past year

Residential stamp duty revenue has more than doubled in two regions in the past year – Northern Ireland, up 126% (£70bn) to £125m and the South West, up 121% (£549m) to £1.0bn. The £549m rise in residential stamp duty revenue in the South West is the largest rise of any region in pound terms in the past year.

* London, South East and East of England

Higher stamp duty bands unchanged since 1997 despite 191% increase in house prices

The higher stamp duty thresholds - £250,000 and £500,000 – have been unchanged since their introduction in 1997 despite a 191% increase in the average house price over the period. The 1% stamp duty threshold was increased from £60,000 to £120,000 in March 2005 and then rose by a further £5,000 in March 2006. However, even these increases have not kept up with the pace of house price inflation. House prices have increased by 222% since March 1993 (when the 1% threshold was raised to £60,000) compared with a 108% rise in the stamp duty threshold.

Higher stamp duty thresholds need to be raised significantly

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 - the £250,000 threshold would now stand at £729,000 and the £500,000 would be £1,458,000. If the lowest stamp duty threshold had been increased in line with house price inflation since March 1993, it would now stand at £193,000. This would be £68,000 above its current level of £125,000.

25% of UK properties are valued above £250,000

Halifax estimates that 25% of properties in the UK, 5.4 million, are now valued above the £250,000 stamp duty threshold; and 900,000 (4%) are valued above the £500,000 threshold. London and the South East account for 60% of homes valued above £250,000 and 72% of homes valued above the £500,000 threshold.

Average first time buyers pay 1% stamp duty

The average first time buyer (FTB) in the UK pays £168,770 for their property, incurring a 1% stamp duty bill of £1,688. However, the average FTB house price is less than £125,000 in six regions -the North, Yorkshire & the Humber, the North West, East Midlands, Wales and Scotland – with no stamp duty payable. The average price paid by a FTB in London is £279,659, incurring a 3% stamp duty bill of £8,390. Across the UK, 89% of FTBs pay less than £250,000 to buy their first property.

Martin Ellis, Halifax Chief Economist commented:

"The revenue generated from stamp duty on property purchases has soared as governments of both political parties have failed to link thresholds to house price inflation. We call on the government to raise all the stamp duty thresholds to reflect the increase in house prices over the past decade and to commit to doing so in the future."

EDITORS' NOTES

The current structure of stamp duty is:

Less than £125,000	zero
£125,000<£250,000	1% on entire house price
£250,000<£500,000	3% on entire house price
£500,000+	4% on entire house price

Stamp Duty bands

The current £250,000 and £500,000 stamp duty bands have been in place since July 1997.

The bands have not been increased since then but the percentage payable has increased, from 1.5% for properties between £250,000 and £500,000 to 3% currently. For properties above £500,000 the percentage payable has increased from 2% to 4%. The average house prices have increased 191% since July 1997.

The Government made a positive move in the 2005 Budget to raise the lowest stamp duty threshold from £60,000 to £120,000, which benefited many first-time buyers. The lower threshold was further raised to £125,000 in March 2006. Only 12% of first time buyer purchases were below the lowest stamp duty threshold in 2004. In 2005 52% were below the lowest threshold.