



More than one quarter of home sales above £600,000 IHT threshold in 62 areas

Halifax calculates that there are 62 postcode districts in England and Wales (2% of the total) where home sales above the combined inheritance tax threshold (IHT) of £600,000 accounted for at least 25% of all property sales over the past year. Three-quarters (46) of these postcode districts are in London with 14 in the South East and one each in the South West and Yorkshire & the Humber.

Knightsbridge has most home sales above £600,000 IHT threshold

SW1X in Knightsbridge had 77% of sales above £600,000, the highest percentage in England and Wales. This was followed by SW1E in St James Park in London with 69% of sales above the new combined threshold and WC2E in Covent Garden in London with 67% of sales. Outside London, the area with the most sales above £600,000 was in Virginia Water in Surrey (GU25) with 52% of sales. (Table 1)

22 Post code districts have an average house price above £600,000

There are 22 postcode districts which have an average house price above £600,000. Seventeen of these are in London with five in the South East. (Table 2)

600,000 properties in the UK valued above £600,000

There are 600,000 properties (3% of all owner occupied properties) in the UK valued above £600,000. This is 2.4 million (80%) less than the 3 million UK properties valued above the £300,000 IHT threshold. The effective doubling of the IHT threshold for married couples takes many of the 2.4 million properties across the UK valued between £300,000 and £600,000 out of the IHT net.

Inheritance tax expected to raise £3.9bn in 2007/08

Inheritance tax revenue raised in 2006/07 was a record £3.6bn, up £300m (9%) on 2005/06 when £3.3bn was collected. Government estimates are for inheritance tax revenue to be £3.9bn in 2007/08 but revenue is expected to fall to £3.3bn in 2008/09. The changes to the inheritance tax allowance announced in the Pre-Budget Report are expected to cost £1.0bn in 2008/09, rising to £1.4bn in 2010/11.

33,000 estates pay IHT in 2006/07

In 2006/07, 33,000 estates are estimated to have paid inheritance tax, while in 1997/98 only 18,000 estates paid the tax. About 40% of taxpayers, accounting for half of IHT revenues, reside in London and the South East, according to two special exercises carried out by the Inland Revenue.

Martin Ellis, Halifax chief economist, commented:

"There are still some parts of the UK where a significant proportion of households are vulnerable to paying inheritance tax based purely on the value of their own home despite the changes to inheritance tax announced earlier this month. Nearly all the areas with the most families at risk of having to paying inheritance tax are in London and the South East."

Table 1 – Postcode districts with highest percentage of home sales above combined £600,000 inheritance tax threshold

Postcode District	Area	Region	% of Home Sales above £600,000 for the yr to June 2007
SW1X	Knightsbridge	Greater London	77%
SW1E	St James Park	Greater London	69%
WC2E	Covent Garden	Greater London	67%
W1S	Green Park	Greater London	64%
SW7	South Kensington	Greater London	63%
W8	Kensington	Greater London	63%
EC4Y	Chancery Lane	Greater London	58%
SW1W	Chelsea	Greater London	56%
W1K	Green Park	Greater London	53%
WC2N	Covent Garden	Greater London	53%
W1J	Green Park	Greater London	53%
GU25	Virginia Water	South East	52%
W1G	Regent's Park	Greater London	51%
SW3	Chelsea	Greater London	47%
HP8	Chalfont St Giles	South East	45%
SG10	Much Hadham	South East	45%
SW13	Barnes	Greater London	43%
EC4M	Farringdon	Greater London	43%
SW10	Chelsea	Greater London	43%
HP9	Beaconsfield	South East	42%
KT11	Cobham	South East	41%
SW1Y	St James Park	Greater London	41%
W1U	Marylebone	Greater London	41%
SL9	Gerrards Cross	South East	40%
W11	Notting Hill	Greater London	40%

Table 2 – Postcode districts with highest average house prices above combined £600,000 inheritance tax threshold

Postcode District	Area	Region	Average House Price £s June 2007
SW1X	Knightsbridge	Greater London	978,123
SW1E	St James Park	Greater London	831,398
SW7	South Kensington	Greater London	822,014
W8	Kensington	Greater London	802,594
WC2N	Covent Garden	Greater London	753,954
W1J	Green Park	Greater London	738,076
SW1Y	St James Park	Greater London	707,617
SW1A	St James Park	Greater London	701,509
W1G	Regent's Park	Greater London	689,801
GU25	Virginia Water	South East	683,389
W1S	Green Park	Greater London	682,250
W1K	Green Park	Greater London	679,126
SW1W	Chelsea	Greater London	669,303
SW10	Chelsea	Greater London	662,353
HP9	Beaconsfield	South East	651,138
SG10	Much Hadham	South East	643,562
HP8	Chalfont St Giles	South East	642,977
SW3	Chelsea	Greater London	641,848
SW13	Barnes	Greater London	633,748
W1U	Marylebone	Greater London	632,866
KT11	Cobham	South East	630,804
W1F	Soho	Greater London	622,286

EDITORS' NOTES

The house price data in this report is sourced from the HM Land Registry. House prices at a postcode level referred to in the report are for the year to June 2007. 2,644 postcode districts in England and Wales have been analysed.

Background on Inheritance Tax

The IHT threshold has risen by 95% since 1995 from £154,000 to £300,000 in April 2007. There was a 30% rise in April 1996 from £154,000 to £200,000. Over the period 1997 to 2004, the IHT threshold was increased broadly in line with retail price inflation; rising by 22% against a 19% increase in the RPI and 129% growth in house prices. In 2005, the threshold was increased by 5% to £275,000 with a further 4% rise seen in April 2006 to £285,000, followed by a 5% rise to £300,000 in April 2007. The government has scheduled a 4% increase in the threshold to £312,000 in 2008/09 and then a further 4% to £325,000 in 2009/10.

In the October 2007 Pre-Budget Report the Chancellor announced that he would effectively double the IHT allowance for married couples or civil partners to £600,000. If a person's tax-free IHT allowance is not used on their death, it can be transferred to their surviving spouse or civil partner, enabling married couples or civil partnerships to benefit from double the tax-free allowance in addition to spouse relief. To ensure that people who have lost a spouse or civil partner can also benefit, the Government extended this entitlement to the three million existing widows, widowers and bereaved civil partners. Additionally, in future years the Government will consider both house prices and retail price inflation when setting the appropriate IHT allowance.

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The revenue raised by the government through IHT has risen by £1.7bn since 1996/97 from £1.6bn to £3.3bn in 2005/2006. (Source: Inland Revenue.) About 40% of taxpayers, accounting for half of IHT revenues, reside in London and the South East, according to two special exercises carried out by the Inland Revenue. (Regional figures are not normally available.)

A single flat rate of 40% was introduced for IHT in March 1987. Prior to this date there were a number of tiered rates.

The government projects 37,000 estates will pay inheritance tax in 2006/07, 22% higher than in 2003/04. (Source: Table 1.4 http://www.hmrc.gov.uk/stats/tax_receipts/menu.htm)

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