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## 25 areas pay more than a quarter of all residential stamp duty revenues

New research from Halifax, based on data from the HMRC, shows that more than a quarter (26%) of total residential stamp duty paid in 2006/07 came from homebuyers in just 25 (6% of the total) local authorities (LAs).

**Ten LAs pay more than £50m in residential stamp duty.** Kensington & Chelsea (£235m) generated the most residential stamp duty of any local authority in the UK in 2006/07, followed by Westminster (£193m) and Wandsworth (£122m). There are ten LAs which generate at least £50m in residential stamp duty in 2006/07. Nine of these are in London with the other being Elmbridge (£68m) in Surrey. **(Table 1)**

**Edinburgh, Leeds, Bristol and Birmingham are the only areas outside the South East amongst the 25 LAs that pay the most stamp duty.**

**Limavady in Northern Ireland saw the largest percentage increase – 289% - in residential stamp duty tax in 2006/07.** Twenty-four LAs experienced at least a doubling in the amount of residential stamp duty raised in their local area between 2005/06 and 2006/07. Twenty-two of these areas are in Northern Ireland, reflecting the substantial rise in house prices in Northern Ireland between the two years. (House prices in Northern Ireland increased by 53% in 2006.) Isles of Scilly (270%) and Ashfield in Nottinghamshire (121%) were the only areas outside Northern Ireland to record a more than doubling in stamp duty revenues last year. **(Table 2)**

**Kensington & Chelsea sees £90m rise in stamp duty bill in 2006/07.** In monetary terms, the largest increase in residential stamp duty tax take was in Kensington and Chelsea with a £90m rise to £235m. Twenty-one LAs saw a rise of at least £10m in 2006/07, including Edinburgh (£14m), Brighton and Hove (£11m) and Bristol (£10m). **(Table 3)**

**Regionally, Northern Ireland and the South West saw the biggest rises in residential stamp duty in 2006/07.** Residential stamp duty revenue more than doubled in two regions between 2005/06 and 2006/07: Northern Ireland, up 126% (£70bn) to £125m and the South West, up 121% (£549m) to £1.0bn. **(Table 4)**

**South of England generates most stamp duty revenue.** The south of England\* contributed 73% (£4.7bn) of all residential stamp duty revenues in 2006/07. Homebuyers in London paid the most - £1.7bn – accounting for 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).

\* London, South East, East of England and South West

## **Martin Ellis, Halifax chief economist, commented:**

"There were some very steep increases in residential stamp duty revenue at a local level in the last financial year. More than one in seven local authorities saw at least a fifty percent increase in the amount paid by homebuyers in their area. A sharp rise in the number of property sales above the 3% stamp duty threshold of £250,000 has been a key factor behind this dramatic increase."

## **STAMP DUTY – KEY FACTS**

### **£6.4bn raised from residential stamp duty in 2006/07**

Total stamp duty revenue from residential property sales in the UK rose by 40% (£1.8bn) 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.

### **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.

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**Table 1: 25 LAs generating the most residential stamp duty in 2006/07**

<b>Local Authority</b>	<b>Region</b>	<b>Residential Stamp duty revenue 2006/07 £m</b>
Kensington and Chelsea	London	235
Westminster	London	193
Wandsworth	London	122
Richmond upon Thames	London	89
Camden	London	84
Barnet	London	76
Elmbridge	South East	68
Hammersmith	London	65
Bromley	London	61
Ealing	London	50
Edinburgh, City of	Scotland	49
Lambeth	London	48
Southwark	London	48
City of London	London	46
Leeds	Yorkshire & the Humber	45
Windsor and Maidenhead	South East	43
Brighton and Hove	South East	42
Merton	London	42
Harrow	London	40
Bristol, City	South West	40
Birmingham	West Midlands	40
Croydon	London	40
Islington	London	39
St Albans	East of England	37
Haringey	London	37

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**Table 2: 24 LAs with the largest percentage increases in residential stamp duty in 2006/07**

Local Authority	Region	Residential Stamp duty revenue 2005/06 £m	Residential Stamp duty revenue 2006/07 £m	Annual % change 2006/07
Limavady	Northern Ireland	0.4	1.4	289%
Isles of Scilly	South West	0.1	0.5	270%
Fermanagh	Northern Ireland	1.3	4.3	245%
Omagh	Northern Ireland	0.7	2.5	242%
Larne	Northern Ireland	0.5	1.5	220%
Ballymoney	Northern Ireland	0.8	2.4	216%
Magherafelt	Northern Ireland	0.7	2.0	209%
Newry and Mourne	Northern Ireland	1.5	4.5	195%
Craigavon	Northern Ireland	2.0	5.6	178%
Armagh	Northern Ireland	1.0	2.7	172%
Cookstown	Northern Ireland	0.6	1.5	160%
Dungannon	Northern Ireland	1.3	3.5	158%
Down	Northern Ireland	4.1	10.1	143%
Coleraine	Northern Ireland	3.2	7.8	142%
Banbridge	Northern Ireland	1.1	2.5	136%
Carrickfergus	Northern Ireland	0.7	1.6	121%
Ashfield	East Midlands	1.5	3.4	121%
Lisburn	Northern Ireland	4.1	8.9	116%
Newtownabbey	Northern Ireland	2.3	5.1	116%
Ards	Northern Ireland	2.6	5.6	114%
Ballymena	Northern Ireland	1.6	3.3	107%
Castlereagh	Northern Ireland	1.4	2.9	106%
Belfast	Northern Ireland	12.5	25.3	102%
Derry	Northern Ireland	2.0	3.9	101%

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**Table 3: 21 LAs with the largest monetary increases in residential stamp duty in 2006/07**

Local Authority	Region	Residential Stamp duty revenue 2005/06 £m	Residential Stamp duty revenue 2006/07 £m	Annual change in 2006/07 £s
Kensington and Chelsea	London	145.4	235.1	89.7
Wandsworth	London	86.5	121.7	35.2
Westminster	London	163.7	193.2	29.5
Richmond upon Thames	London	61.5	89.1	27.7
Elmbridge	South East	49.7	68.2	18.6
Barnet	London	57.6	75.7	18.0
Bromley	London	43.9	60.6	16.8
Southwark	London	32.3	47.9	15.6
Ealing	London	35.3	50.3	15.0
Camden	London	69.4	83.7	14.3
Edinburgh, City of	Scotland	34.4	48.6	14.2
Hammersmith	London	51.8	65.1	13.3
Belfast	Northern Ireland	12.5	25.3	12.7
Harrow	London	29.5	40.4	10.9
New Forest	South West	21.9	32.7	10.8
Brighton and Hove UA	South East	31.4	42.1	10.7
Hounslow	London	26.0	36.7	10.7
Bristol, City of UA	South West	29.7	40.1	10.4
Merton	London	31.8	42.0	10.3
Waverley	South East	26.1	36.3	10.2
Haringey	London	27.0	37.0	10.1

**Table 4: Residential stamp duty by region**

Region	Residential Stamp duty revenue 2005/06 £m	Residential Stamp duty revenue 2006/07 £m	Annual change in 2006/07 %	Annual change in 2006/07 £m
North East	80	90	13%	10
North West	275	330	20%	56
Yorkshire and Humber	195	250	28%	55
East Midlands	195	240	24%	46
West Midlands	245	310	26%	64
East	485	640	32%	155
London	1,305	1,725	32%	420
South East	1,030	1,365	33%	335
South West	455	1,005	121%	549
Wales	95	125	31%	29
Scotland	185	250	35%	65
Northern Ireland	55	125	126%	70
United Kingdom	4,600	6,445	40%	1,845

## EDITORS' NOTES

Source: All the figures in this release are sourced from HMRC.

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.

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