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Halifax has compared the average residential stamp duty bill in 405 Local Authorities (LAs) in Great Britain with average full-time gross earnings by LA over the 5 years from 2002 to 2007. Data has been sourced from the Halifax house price database, the ONS and HM Revenue and Customs. Halifax, the UK's biggest mortgage lender, calls on all political parties to raise the stamp duty thresholds to account fully for the rise in house prices over the past decade and to commit to raise all the thresholds in line with house price inflation in the future.

## Stamp duty bills rise sharply relative to earnings

- Home buyers in 29% (118 out of 405) of local authorities (LAs) have a stamp duty bill equivalent to more than 20% of average annual gross earnings, compared to only 5% (19) of local authorities five years ago.
- The average residential stamp duty bill in the UK is equivalent to 7% of annual full-time gross earnings compared to 5% in 2002. In the South East, the proportion has increased from 7% to 23%.
- The average home buyer in the majority of LAs in London (91%) and the South East (61%) has a stamp duty bill that equates to more than 20% of local average annual earnings.
- The number of properties in the higher stamp duty bands has increased dramatically in the past five years. The number of properties in the UK valued above £250,000 has increased by 201% from 1.8 million in 2002 to 5.5 million in 2007.
- Homebuyers in Chichester have seen the biggest rise in stamp duty bills as a percentage of earnings over the past five years; from 7% in 2002 to 37% in 2007.

New research from Halifax highlights that the average home buyer in nearly one in three (29%) of local authorities (LAs) – 118 out of 405 - needs to set aside the equivalent of more than 20% of local average annual gross full-time earnings to pay the stamp duty bill associated with buying their new home. Five years ago, in 2002, the average stamp duty bill was equivalent to more than 20% of average annual full-time earnings in only one in 20 (5%) of LAs – 19 out of 405. **(Table 1)**

### **The average UK home buyer pays 7% of average earnings in stamp duty**

Across the UK, the average home buyer paid a stamp duty bill of £1,971 in 2007, equivalent to 7% of average annual full-time earnings. Five years ago in 2002, the average stamp duty bill of £1,211 was equivalent to 5% of earnings. By region, stamp duty was highest as a percentage of full-time earnings in 2007 in the South East (23%) and London (21%) and lowest in Scotland (5%). Five years ago, the average home buyer in all regions paid the equivalent of less than 10% of average annual full-time earnings for residential stamp duty. **(Table 2)**

### **Stamp duty bills are highest relative to earnings in London and the South East**

The average stamp duty bill was worth more than 20% of average full-time earnings in 91% of London LAs (29 out of 32) and 61% of LAs in the South East (41 out of 67) in 2007. In 2002, only 25% of London LAs (8) and 12% of LAs (8) in the South East had an average stamp duty bill of more than 20% of full-time earnings. **(Table 1)**

### **Homebuyers in only 2% of LAs pay less than 5% of earnings compared to 38% five years ago**

The average stamp duty bill was equal to less than 5% of average full-time earnings in 9 LAs (2%) in 2007, compared to 153 (38%) LAs in 2002. All these LAs are in the north\*. (Note: this does not take account of potential beneficiaries of the government's disadvantaged areas stamp duty relief scheme.) **(Table 1)**

### **South Buckinghamshire has the highest stamp duty bills as a percentage of average earnings**

The average homebuyer in South Buckinghamshire paid stamp duty of £21,241 in 2007, equal to 49% of average annual full-time earnings in the area; the highest proportion in the country. The next highest percentages were in Kensington & Chelsea (47%), Chiltern (44%) and Camden (40%). The 20 areas with the highest stamp duty bills as a percentage of earnings are all in the south\*\* of England. **(Table 3)**

These numbers should be treated with caution. Figures relating to averages can be less meaningful where there is a wide distribution of earnings as is the case in these areas.

### **Chichester has seen the biggest increase in stamp duty bills relative to earnings**

Chichester in Dorset has seen the largest proportionate increase in stamp duty bills as a percentage of full-time earnings over the past five years, rising from 7% in 2002 to 37% in 2007. The next biggest increases were in the London boroughs of Brent (9% to 36%) and Kensington & Chelsea (20% to 47%). **(Table 4)**

### **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 - they would now stand at £720,000 and £1,440,000.

## **STAMP DUTY AND EARNINGS – OTHER KEY POINTS**

- **Nine of the eleven regions of Great Britain had at least one LA where the average stamp duty bill was equal to at least 20% of average full-time earnings in 2007.** The exceptions were Wales, where the highest average bills were in Powys (8.1%), and Scotland where the bills were highest in East Renfrewshire (7.4%).
- **In 2002 there were only three regions with LAs which had average stamp duty bill equal to at least 20% of average full-time earnings:** London (8), South East (8) and the East (3).
- **The highest stamp duty bills as a percentage of full-time earnings outside the south of England in 2007 were in Rutland in the East Midlands (30%),** Ribble Valley in the North West (28%) and Bromsgrove in the West Midlands (28%).
- **The lowest average stamp duty bills as a percentage of earnings in the south of England\*\* in 2007 were in Swindon (6.1%).**
- **40 LAs have seen at least a 20 percentage points (ppts) increase in their average stamp duty bill as a percentage of average annual earnings over the past five years.** 32 of these LAs were in the south\* and 8 in the north\*\*. The biggest increase outside the south was in Rutland (24ppts).

\*comprised of North East, North West, Yorkshire & Humber, Wales, Scotland, East Midlands and West Midlands

\*\* comprised of Greater London, South East, South West and the East.

## STAMP DUTY – KEY FACTS

### **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 their respective threshold would now stand at £720,000 and £1,440,000. If the lowest stamp duty threshold had been increased in line with house price inflation since March 1993, it would now stand at £191,000. This would be £66,000 above its current level of £125,000.

### **Projections for residential stamp duty revenues are for £7.3bn in 2007/08 and £7.6bn in 2008/09**

Total stamp duty revenue from residential property sales 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. Estimates of residential stamp duty revenue for 2007/08, based on government projections in the latest Pre-Budget Report, are for a 14% rise to £7.3bn, followed by a 4% rise in 2008/09 to £7.6bn.

### **Residential stamp duty is estimated to yield the Treasury over £7 billion for 2007**

Estimates suggest that residential stamp duties yielded the Treasury, on average, £584m per month in 2007, with an annual total of over £7 billion. These estimates also show monthly yields slowing in line with a more subdued housing market.

### **Number of properties in the higher stamp duty bands of £250,000 and £500,000 has increased dramatically in the past five years**

In 2002 the number of properties in the UK valued above the £250,000 threshold was 1.8m; by 2007 this had increased by 201% to 5.5m. Properties above the £500,000 threshold had increased by 337% to 1.0m. Halifax estimates that 26% of privately owned properties in the UK are now valued above the £250,000 stamp duty threshold compared to 9% in 2002; this includes 5% of properties that are valued above the £500,000 threshold, compared to 1% five years ago.

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

Residential stamp duty revenue raised at the higher stamp duty bands 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.

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

"A growing number of home buyers are paying the equivalent of more than 20% of local average annual earnings in residential stamp duty. This trend is most prevalent in the south of England. But, other parts of the country are being affected as well.

The higher stamp duty thresholds have not been altered since their introduction a decade ago. We call on the government to raise all stamp duty thresholds to account for the rise in house prices over the past decade and to index for house price inflation in the future."

**TABLE 1 – STAMP DUTY AS A PERCENTAGE OF AVERAGE FT EARNINGS BY LA**

	2002				2007				Total No. of LAs
	Stamp Duty Bill More than 20% of FT Earnings		Stamp Duty Bill less than 5% of FT Earnings		Stamp Duty Bill More than 20% of FT Earnings		Stamp Duty Bill less than 5% of FT Earnings		
Region	No. of LAs	%	No. of LAs	%	No. of LAs	%	No. of LAs	%	
North East	0	0%	20	87%	1	4%	0	0%	23
North West	0	0%	32	74%	2	5%	2	5%	43
Yorkshire & Humber	0	0%	15	71%	2	10%	1	5%	21
East Midlands	0	0%	23	59%	3	8%	1	3%	39
West Midlands	0	0%	14	41%	5	15%	1	3%	34
East	3	6%	2	4%	20	42%	0	0%	48
South East	8	12%	0	0%	41	61%	0	0%	67
South West	0	0%	0	0%	15	34%	0	0%	44
Greater London	8	25%	0	0%	29	91%	0	0%	32
Scotland	0	0%	30	94%	0	0%	2	6%	32
Wales	0	0%	17	77%	0	0%	2	9%	22
UK	19	5%	153	38%	118	29%	9	2%	405

Source: Halifax

**TABLE 2 – STAMP DUTY AS A PERCENTAGE OF AVERAGE EARNINGS BY REGION**

	Average Stamp duty bill £s (2002)	% of Average FT* Earnings (2002)	Average Stamp duty bill £s (2007)	% of Average FT* Earnings (2007)
South East	1,885	7%	7,756	23%
Greater London	2,140	6%	9,010	21%
Northern Ireland	816	4%	2,163	9%
South West	1,511	7%	2,114	8%
Wales	873	4%	1,671	7%
West Midlands	1,179	5%	1,833	7%
North East	773	4%	1,515	6%
East	1,265	5%	1,910	6%
East Midlands	1,115	5%	1,634	6%
North West	836	4%	1,540	6%
Yorks & the Humber	785	4%	1,472	6%
Scotland	718	3%	1,449	5%
UK	1,211	5%	1,971	7%

Source: Halifax

\*FT = full-time

**TABLE 3 – LAs WITH HIGHEST STAMP DUTY BILLS AS PERCENTAGE OF EARNINGS**

LA	Region	Average House Price £s (2007)	Average Stamp duty bill £s (2007)	Average FT Earnings (2007)	Stamp duty as % of FT Earnings (2007)
South Bucks	South East	531,035	21,241	43,285	49.1%
Kensington and Chelsea	London	775,053	31,002	65,952	47.0%
Chiltern	South East	503,226	20,129	45,855	43.9%
Camden	London	543,703	21,748	54,541	39.9%
Richmond upon Thames	London	510,882	20,435	52,070	39.2%
Chichester	South East	412,959	12,389	33,278	37.2%
Hammersmith & Fulham	London	550,996	22,040	60,160	36.6%
Brent	London	352,765	10,583	29,466	35.9%
Haringey	London	400,459	12,014	34,880	34.4%
Cotswold	South West	338,197	10,146	29,531	34.4%

**TABLE 4 – LAs WITH HIGHEST STAMP DUTY BILLS AS PERCENTAGE OF EARNINGS BY REGION**

LA	Region	Average House Price £s (2007)	Average Stamp duty bill £s (2007)	Average FT Earnings (2007)	Stamp duty as % of FT Earnings (2007)
Rutland	East Midlands	286,995	8,610	28,726	30.0%
Hertsmere	East of England	374,523	11,236	37,436	30.0%
Kensington and Chelsea	London	775,053	31,002	65,952	47.0%
Castle Morpeth	North East	260,358	7,811	31,546	24.8%
Ribble Valley	North West	276,229	8,287	29,843	27.8%
East Renfrewshire	Scotland	229,950	2,299	31,103	7.4%
South Bucks	South East	531,035	21,241	43,285	49.1%
Cotswold	South West	338,197	10,146	29,531	34.4%
Powys	Wales	189,307	1,893	23,438	8.1%
Bromsgrove	West Midlands	284,778	8,543	30,980	27.6%
Ryedale	Yorks & the Humber	276,533	8,296	30,660	27.1%

**TABLE 5 – LAs WITH BIGGEST PERCENTAGE POINT INCREASE IN AVERAGE STAMP DUTY BILLS AS A PROPORTION OF EARNINGS**

LA	Region	Stamp duty as % of FT Earnings (2002)	Stamp duty as % of FT Earnings (2007)	Percentage Point Increase over 5 years
Chichester	South East	7.3%	37.2%	29.9%
Brent	London	8.5%	35.9%	27.4%
Kensington & Chelsea	London	20.2%	47.0%	26.8%
West Devon	South West	7.1%	33.5%	26.5%
Lambeth	London	7.6%	33.4%	25.8%
Hackney	London	8.2%	33.8%	25.6%
Cotswold	South West	9.0%	34.4%	25.3%
Winchester	South East	7.1%	32.1%	25.0%
South Bucks	South East	24.4%	49.1%	24.7%
North Dorset	South West	8.1%	32.8%	24.6%

**TABLE 6 - ESTIMATED RESIDENTIAL STAMP DUTY YIELD**

	Monthly estimated yield £m
Jan-07	499
Feb-07	514
Mar-07	547
Apr-07	558
May-07	534
Jun-07	699
Jul-07	667
Aug-07	721
Sep-07	533
Oct-07	633
Nov-07	581
Dec-07	522
<b>Total</b>	<b>7,009</b>

Source: Halifax (estimates based on HMRC data)

**TABLE 7 - PERCENTAGE OF PROPERTIES BY STAMP DUTY THRESHOLDS**

Region	2002				2007			
	valued < £60k (%)	valued over £60k (%)	valued over £250k (%)	valued over £500k (%)	valued < £125k (%)	valued over £125k (%)	valued over £250k (%)	valued over £500k (%)
North	46%	52%	2%	0%	42%	50%	8%	1%
Yorkshire and Humberside	41%	57%	2%	0%	39%	51%	9%	1%
North West	36%	61%	3%	0%	35%	53%	10%	1%
East Midlands	21%	76%	3%	0%	32%	57%	10%	1%
West Midlands	18%	77%	5%	0%	30%	57%	12%	2%
East Anglia	6%	88%	6%	0%	15%	66%	17%	2%
Wales	38%	60%	2%	0%	36%	54%	9%	1%
South West	3%	89%	8%	1%	9%	66%	22%	3%
South East	1%	82%	15%	2%	5%	57%	30%	8%
Greater London	0%	73%	22%	5%	1%	39%	45%	15%
Northern Ireland	18%	81%	1%	0%	4%	72%	22%	2%
Scotland	44%	54%	2%	0%	37%	49%	12%	2%
<b>UK</b>	<b>20%</b>	<b>71%</b>	<b>8%</b>	<b>1%</b>	<b>21%</b>	<b>53%</b>	<b>21%</b>	<b>5%</b>

Source: Halifax

## EDITORS' NOTES:

**Data sources:** House price data used in the analysis is sourced from the Halifax house price database and is for the year to December for both 2002 and 2007. Average full-time earnings data is for the year to March for 2002 and 2007 and has been sourced from the ONS ASHE survey.

The average stamp duty bill at a LA level has been calculated by multiplying the average house price by the matching stamp duty levy. **This bill has then been compared to average full-time earnings of residents in the LA.**

**The analysis in this report does not incorporate potential benefits for home buyers in LAs which may be eligible for the disadvantaged stamp duty exemptions.** 1,997 wards across the UK are eligible for stamp duty relief under this scheme for property purchases under £150,000.

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 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.

A stamp duty bill of more than 20% of average annual earnings is indicative of a house purchase above the £250,000 threshold at which a 3% stamp duty is levied. A stamp duty bill of more than 40% of average annual earnings suggests a property purchase above the highest 4% stamp duty threshold of £500,000. These higher thresholds have been unchanged since their introduction in 1997.

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