



Not for broadcast or publication before 00:01 Hrs Monday 10th March 2008

Halifax has compared the average residential stamp duty bill for first-time buyers (FTBs) in 342 Local Authorities (LAs) in Great Britain over the period 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 all 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.

The average first time buyer now pays stamp duty nearly everywhere in the South

- The average first time buyer¹ (FTB) paid stamp duty in 2007 in 99% of local authorities (LAs) in the south* compared to 42% of LAs in the north**.
- The average FTB in 19% of LAs in the south* paid stamp duty at the higher rates of 3% and 4% in 2007.
- The average FTB in nearly two-thirds (62%) of London boroughs paid stamp duty at the higher rates in 2007.
- The stamp duty bill for the average FTB in the UK in 2007 was £1,751; £791 (82%) more than paid in 2002 (£960).
- The stamp duty bill for the average FTB in Greater London in 2007 was £8,675; £6,807 (364%) more than paid in 2002 (£1,868).
- The average FTB's stamp duty bill in London was equivalent to 21% of annual gross full-time average earnings in 2007 compared with 6% of earnings for the UK as a whole.
- The stamp duty bill for the average FTB in 30 LAs has risen by at least £5,000 in the past five years.

New research from Halifax highlights that the average first time buyer¹ (FTB) in 99% of local authorities (LAs) surveyed in the south* (161 out of 163) paid stamp duty in 2007. This compared with 42% of LAs surveyed in the north** (76 out of 179). Across Great Britain, the average FTB in 69% of LAs (237 out of 342) paid stamp duty in 2007. **(Table 1)**

The average FTB in nearly 20% of LAs in the south paid stamp duty at the higher rates in 2007

The average FTB in 19% (31) of LAs in the south paid the higher rates of stamp duty (either a 3% or 4% rate) in 2007. Five years ago, the average FTB in only 2% (4) of LAs in the south paid stamp duty at the higher rates. In contrast, the average FTB did not pay at the higher rates in any LA in the north in 2007; the same as five years earlier. **(Table 1)**

¹ The average FTB is defined as someone who pays the average property price paid by a FTB in the relevant local authority. The analysis in this report does not incorporate potential benefits for home buyers in Local Authorities that may be eligible for the disadvantaged stamp duty exemptions.

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

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

London FTBs pay 3 or 4% rates of stamp duty

The average FTB in nearly two-thirds (62%) of London boroughs – 20 out of 32 - paid the higher rates of stamp duty in 2007. In 2002 the average FTB in only 13% (4) of London boroughs paid the higher rates of stamp duty. The average FTB paid stamp duty at the higher rates in 12% of LAs in the South East and 7% in the East of England regions in 2007. *(Table 1)*

The average UK home buyer pays 6% of average earnings in stamp duty

Across the UK, the average FTB paid a stamp duty bill of £1,751 in 2007, equivalent to 6% of average annual gross full-time earnings. Five years ago in 2002, the average FTB stamp duty bill of £960 was equivalent to 4% of earnings. The stamp duty bill for the average FTB in the UK in 2007 was £791 (82%) more than in 2002. *(Table 2)*

The average London FTB has a stamp duty bill of £8,675

The average FTB in London paid a 3% rate of stamp duty in 2007 with a bill of £8,675; the highest of any region. This was equivalent to 21% of annual gross full-time earnings in London. Five years ago, the average FTB in London paid the equivalent of 5% of average annual gross full-time earnings. The stamp duty bill for the average FTB in Greater London in 2007 was £6,807 (364%) more than paid in 2002 (£1,868). *(Table 2)*

Average FTB in four regions pays no stamp duty

The average FTB house price was less than £125,000 - with no stamp duty bill payable - in four regions of the UK in 2007. These regions were the North (£114,959), Yorkshire & the Humber (£119,718), Scotland (£123,072) and Wales (£124,259). *(Table 2)*

Average FTBs in Daventry and Harrogate have the highest stamp duty bills outside the south

Outside the south of England the highest stamp duty bills for the average FTB in 2007 were in Daventry in the East Midlands (£1,853) and Harrogate in Yorkshire (£1,843). *(Table 4)*

FTBs in 30 LAs have seen at least a £5,000 increase in their average stamp duty bill over 5 years

The average stamp duty bill for a FTB has risen by at least £5,000 over the past five years in 30 LAs. All of these LAs are in the south of England. The biggest increases have been in Kensington & Chelsea (£15,336), Westminster (£9,872) and Elmbridge in Surrey (£9,573). The biggest increases outside the south of England have been in Aberdeenshire (£1,520) and Carmarthenshire (£1,336).

FTBs benefited from a rise in the 1% stamp duty threshold from £60,000 to £120,000 in 2005

In 2005 the average FTB in 56% of LAs (192) across Great Britain paid stamp duty. This compared with 99% (338) in 2004 before the 1% threshold was doubled from £60,000 to £120,000 in March 2005. In 2005 the average FTB in 21% (37) of LAs in the North paid stamp duty compared with 95% (155) in the south.

Martin Ellis, Chief Economist at Halifax, commented:

"Stamp duty has again become an issue for first time buyers because the stamp duty thresholds have not kept pace with house price inflation. First-time buyers in the south are most likely to pay but so too are a growing percentage in the north. In London the average first time buyer is now liable to pay a stamp duty bill of more than £8,000.

The government has raised the 1% threshold in recent years; unfortunately, more needs to be done. We call on all political parties to raise the stamp duty thresholds to compensate for house price inflation over the past decade and to commit to index the thresholds for house price inflation in the future."

STAMP DUTY – KEY FACTS

Stamp duty thresholds need to be raised significantly

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. 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 respectively.

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 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 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.

TABLE 1: FTB STAMP DUTY BILLS BY LOCAL AUTHORITY IN 2007

	no stamp duty	1% stamp duty	3% stamp duty	4% stamp duty
	less than £125k	£125k--250k	£250-500k	£500k plus
No. of LAs by region	%	%	%	%
North East	87%	13%	0%	0%
North West	56%	44%	0%	0%
Yorkshire & the Humber	71%	29%	0%	0%
East Midlands	45%	55%	0%	0%
West Midlands	30%	70%	0%	0%
East	2%	90%	7%	0%
South East	2%	86%	12%	0%
South West	0%	100%	0%	0%
Greater London	0%	38%	56%	6%
Scotland	79%	21%	0%	0%
Wales	53%	47%	0%	0%
UK	31%	60%	8%	1%

Source: Halifax

TABLE 2: FTB STAMP DUTY BILLS AS A PERCENTAGE OF AVERAGE EARNINGS BY REGION

	Average FTB Stamp duty bill £s (2002)	% of Average FT* Earnings (2002)	Average FTB Stamp duty bill £s (2007)	% of Average FT* Earnings (2007)
Greater London	1,868	5%	8,675	21%
Northern Ireland	717	3%	1,810	7%
East Midlands	1,194	5%	1,816	7%
South East	1,360	5%	2,046	6%
South West	1,074	5%	1,632	6%
West Midlands	808	4%	1,339	5%
North West	623	3%	1,250	5%
East	747	3%	1,272	4%
North East	0	0%	0	0%
Scotland	0	0%	0	0%
Wales	601	3%	0	0%
Yorkshire & Humber	0	0%	0	0%
UK	960	4%	1,751	6%

Source: Halifax, ONS

*FT = full-time

TABLE 3: LOCAL AUTHORITY WITH HIGHEST FTB STAMP DUTY BILLS IN 2007

Local Authority	Region	Average FTB House Price £s (2007)	Average FTB Stamp duty bill £s (2007)
Kensington and Chelsea	London	669,776	26,791
Westminster	London	500,781	20,031
Hammersmith and Fulham	London	440,068	13,202
Camden	London	423,906	12,717
Elmbridge	South East	393,883	11,816
Wandsworth	London	372,699	11,181
Islington	London	366,753	11,003
Chiltern	South East	355,519	10,666
Richmond upon Thames	London	346,214	10,386
Tower Hamlets	London	322,444	9,673

Source: Halifax

TABLE 4: LOCAL AUTHORITY WITH HIGHEST FTB STAMP DUTY BILLS BY REGION IN 2007

Local Authority	Region	Average FTB House Price £s (2007)	Average FTB Stamp duty bill £s (2007)
Daventry	East Midlands	185,309	1,853
St Albans	East of England	273,289	8,199
Kensington and Chelsea	London	669,776	26,791
Durham	North East	132,011	1,320
Macclesfield	North West	183,364	1,834
East Renfrewshire	Scotland	159,370	1,594
Elmbridge	South East	393,883	11,816
Salisbury	South West	203,108	2,031
Monmouthshire	Wales	172,521	1,725
Bromsgrove	West Midlands	170,515	1,705
Harrogate	Yorkshire and The Humber	184,318	1,843

Source: Halifax, ONS

EDITORS' NOTES:

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 Local Authority level has been calculated by multiplying the average house price by the matching stamp duty levy.

The analysis in this report does not incorporate potential benefits for home buyers in Local Authorities that 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.

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