



Residential Stamp Duty Factsheet

IMPACT OF RAISING THE NIL RATE THRESHOLD TO £175,000

Around 45,500 homebuyers in England and Wales (26% of the total) were exempt from paying stamp duty over the five months between September 2008 and January 2009 because the threshold was £175,000 rather than £125,000. (There were a total of 101,091 sales below £175,000 with 55,560 below £125,000.)

In percentage terms, 57% of sales during the period September 2008 to January 2009 were below £175,000 compared with 31% below £125,000.

There are some significant regional differences. Increasing the lowest stamp duty threshold has benefited buyers in all regions, but has had a more pronounced impact outside the south east. For example, only 18% of total sales were below £175,000 in London during the period September 2008 to January 2009 compared to 79% in the North. (See *Table 1*)

First-time buyers (FTB), in particular, have benefited from the change to the stamp duty threshold. The average price paid by a FTB in Q1 2008 was £157,540 with an average stamp duty bill of £1,575. By comparison, the average FTB paid no stamp in 2009 Quarter 1 (average FTB price of £131,374).

An estimated 27% of FTBs did not pay stamp duty during September 2008-March 2009 because of the raising of the nil rate threshold from £125,000 to £175,000. Only 18% of FTB purchases during this period were above the temporarily higher threshold of £175,000. The proportion of FTBs in the UK that would have paid stamp duty if the threshold had been £125,000 would have been 45%. (See *Table 2*)

More than 90% of FTB sales were below £175,000 in all regions outside southern England. The exceptions were: East Anglia (88%), South West (84%), South East (64%) and Greater London (31%). (See *Table 2*)

RESIDENTIAL STAMP DUTY REVENUE INCREASED EIGHT-FOLD BETWEEN 1997-98 AND 2007-08

There was a 705% rise from £830mn in 1997-98 to £6,680mn in 2007-08, according to the latest data. (Source: HMRC)

HIGHER STAMP DUTY BANDS GENERATE OVER 80% OF TOTAL RESIDENTIAL STAMP DUTY REVENUE

Residential stamp duty revenue raised at the higher stamp duty bands (i.e. above £250,000) accounted for 81% of all residential stamp duty revenue in 2007-08, at £5.4bn. Five years earlier in 2002-03, the higher stamp duty bands contributed 62% of total residential stamp duty revenue.

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(Source: HMRC)

HIGHER STAMP DUTY THRESHOLDS UNCHANGED SINCE THEIR INTRODUCTION IN JULY 1997

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 £575,000 and £1,150,000 respectively.

(Source: Halifax)

Table 1: All Buyers

% of All Properties by Stamp Duty Thresholds						
Total for September 2008 to January 2009						
	<£125k	<£175k	£125k-£175k	£175k-£250k	>£250k	>£500k
North	56%	79%	23%	13%	8%	1%
Yorkshire and the Humber	51%	77%	26%	14%	9%	1%
North West	53%	77%	25%	14%	9%	1%
East Midlands	48%	75%	28%	16%	8%	1%
West Midlands	43%	71%	28%	17%	12%	2%
East Anglia	29%	61%	32%	23%	15%	2%
Wales	48%	75%	27%	16%	9%	1%
South West	20%	52%	32%	27%	21%	3%
South East	14%	40%	26%	32%	28%	6%
Greater London	4%	18%	14%	36%	46%	12%
Northern Ireland	38%	72%	34%	14%	7%	1%
Scotland	48%	67%	19%	17%	11%	2%
England & Wales	31%	57%	26%	23%	19%	4%
UK	32%	57%	26%	23%	19%	4%

Sources: Land Registry (England regions and Wales) and Halifax (Scotland and N Ireland)

Table 2: First-Time Buyers (FTBs)

% of FTB Sales by Stamp Duty Thresholds						
Total for September 2008 to March 2009						
	<£125k	<£175k	£125k-£175k	£175k-£250k	>£250k	>£500k
North	80%	97%	17%	3%	0%	0%
Yorkshire and the Humber	79%	98%	19%	2%	0%	0%
North West	75%	95%	20%	4%	1%	0%
East Midlands	73%	94%	21%	5%	1%	0%
West Midlands	66%	95%	28%	4%	2%	0%
East Anglia	55%	88%	33%	11%	1%	0%
Wales	74%	97%	22%	2%	1%	0%
South West	41%	84%	43%	13%	3%	0%
South East	20%	64%	43%	29%	7%	1%
Greater London	5%	31%	26%	49%	20%	1%
Northern Ireland	51%	95%	44%	5%	1%	0%
Scotland	71%	92%	21%	7%	1%	0%
England & Wales	53%	80%	28%	15%	4%	0%
UK	55%	82%	27%	14%	4%	0%

Source: Halifax

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BACKGROUND

The current* structure of stamp duty is:

Less than £175,000	zero
£175,000<£250,000	1% on entire house price
£250,000<£500,000	3% on entire house price
£500,000+	4% on entire house price

* The lowest (i.e. nil rate) threshold is due to revert to £125,000 in September 2009

The Recent History of Stamp Duty on Housing:

- From 20th December 1991 to 20th August 1992, the Chancellor announced a "stamp duty holiday" which exempted all property sales of less than £250,000 from stamp duty.
- On 20th August 1992, stamp duty was once again charged at 1% on property sales exceeding £30,000.
- In March 1993, the threshold was raised from £30,000 to £60,000 for exemption from the paying of stamp duty of 1%.
- In July 1997, stamp duty increased to 1.5% on properties between £250,000 and £500,000. Over £500,000 increased to 2%.
- In March 1998, stamp duty increased to 2% on properties between £250,000 and £500,000. Over £500,000 increased to 3%.
- In March 1999, stamp duty increased to 2.5% on properties between £250,000 and £500,000. Over £500,000 increased to 3.5%.
- In March 2000, stamp duty increased to 3.0% on properties between £250,000 and £500,000. Over £500,000 increased to 4.0%.
- On 30th November 2001, stamp duty was abolished for all property transactions up to £150,000 in nearly 2,000 disadvantaged areas across the UK.
- In the 2005 Budget the lowest stamp duty threshold was raised from £60,000 to £120,000. The lower threshold was further raised to £125,000 in March 2006.
- On 2nd September 2008 the lowest stamp duty threshold was raised from £125,000 to £175,000 for one year. The higher thresholds were unchanged.