

Research Briefing

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# Stamp Duty Land Tax: Current situation and developments since 2020



## Summary

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- 2 SDLT from 1 April 2025
- 3 Policy development of SDLT since 2020
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## Summary

[Stamp Duty Land Tax \(SDLT\)](#) is a charge on the purchase of residential property (exclusively used as a dwelling) as well as the purchase of property used for commercial purposes. The property buyer is liable to pay SDLT, which is administered by HM Revenue and Customs (HMRC).

SDLT only applies to England and Northern Ireland; the equivalent in Scotland is the [Land and Buildings Transaction Tax](#), and in Wales the [Land Transaction Tax](#).

## How Stamp Duty Land Tax works

SDLT is charged on a 'slice' basis. This means that different rates apply to different portions of the overall property price. This is a similar design to that of income tax. The first 'slice' of the property price (currently £250,000) is charged at a 0% rate, meaning no SDLT is payable up to that amount. This is known as the nil-rate band (NRB).

## Additional charges and reliefs available

Those purchasing an additional property may be liable for an [additional SDLT rate of 3%](#). There are [reliefs available for first-time buyers \(known as the First Time Buyers' Relief\)](#). Additionally, non-residents in the UK and buyers of additional properties (such as a second home) [may be liable to surcharges](#) on top of regular SDLT rates.

## Recent changes to SDLT

The current SDLT rates and thresholds are temporary. SDLT rates were [reduced on 23 September 2022](#) by then Chancellor Kwasi Kwarteng and will return to their previous levels on 1 April 2025.

There is precedent for the use of a temporary SDLT relief. Recently, it has been employed by Rishi Sunak when he was Chancellor to stimulate the housing market during the Covid-19 pandemic. This [temporary SDLT relief](#) applied between 8 July 2020 and 30 September 2021. In September 2022, then Chancellor Kwasi Kwarteng announced a permanent reduction to SDLT, effective that day. However, the subsequent Chancellor, Jeremy Hunt

announced that the reduction would become temporary [in the Autumn Statement](#) in November 2022.

## Property transaction taxes in Scotland and Wales

SDLT is a devolved tax, and only applies to property transactions in England and Northern Ireland. Scotland replaced SDLT with the [Land and Buildings Transaction Tax \(LBTT\)](#) in 2015, and Wales with the [Land Transaction Tax \(LTT\)](#) in 2018. The two devolved taxes share most features with SDLT, but different rates and thresholds apply. Neither LBTT nor LTT have a non-resident surcharge as SDLT does, and there is no First Time Buyers' Relief in Wales.

## Current SDLT, LBTT, and LTT rates

Table 1 shows the current rates of SDLT, LBTT, and LTT.

Table 1 SDLT, LBTT, and LTT rates			
Purchase price	SDLT	LBTT (Scotland)	LTT (Wales)
£0 to £145,000	0% (nil-rate band)	0% (nil-rate band)	0% (nil-rate band)
£145,001 to £225,000	0% (nil-rate band)	2%	0% (nil-rate band)
£225,001 to £250,000	0% (nil-rate band)	2%	6%
£250,001 to £325,000	5%	5%	6%
£325,001 to £400,000	5%	10%	6%
£400,001 to £750,000	5%	10%	7.5%
£750,001 to £925,000	5%	12%	10%
£925,001 to £1,500,000	10%	12%	10%
Over £1,500,000	12%	12%	12%

Source: HMRC, [Stamp Duty Land Tax: Residential property rates](#), GOV.UK, accessed on 20 April 2023, Revenue Scotland, [Land and Buildings Transaction Tax](#), accessed on 25 May 2023, Welsh Government, [Land Transaction Tax rates and bands](#), GOV.WALES, 10 October 2022

## Proposals for reform

Although SDLT reliefs were welcomed by MPs and commentators alike, – particularly during the Covid-19 pandemic – most economists say that the design of SDLT is detrimental to the housing market and to labour mobility, regardless of where the rates are set. For example, the [Institute for Fiscal Studies](#) has consistently called for the tax to be abolished. The Treasury Committee, in an [inquiry on tax after coronavirus](#) (PDF), said in its report that SDLT should be treated as a priority for reform after the pandemic.

Although most of the existing commentary focuses on SDLT in England and Northern Ireland, similar considerations also apply to LBTT in Scotland and LTT in Wales because the taxes are so similar.

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# 1 The current structure of Stamp Duty Land Tax

## 1.1 What is Stamp Duty Land Tax?

Stamp Duty Land Tax (SDLT) is a tax paid on the purchase of property or land. For brevity, this is referred throughout this briefing as ‘property’.

SDLT is charged both on residential and commercial property. This briefing specifically looks at SDLT on residential property.<sup>1</sup> There have not been any major changes to SDLT on commercial property since 2020. The Library briefing on [Stamp Duty Land Tax on residential property: Government policy up to 2021](#) has more detail on the historical development of the tax, both in relation to commercial and residential property.<sup>2</sup>

As of 2014, SDLT is graduated, so that more expensive properties face progressively higher tax rates. The first ‘slice’ of the overall value of a property is usually taxed at 0%; this is known as the nil-rate band, or NRB. The current design of SDLT rates is similar, for instance, to that of income tax.

SDLT is administered by His Majesty’s Revenue and Customs (HMRC).

## 1.2 Who pays SDLT?

The purchaser of the property is liable to pay SDLT.<sup>3</sup>

## 1.3 How much does SDLT raise?

SDLT on residential property raised £10 billion in 2021/22.<sup>4</sup> The Office for Budget Responsibility (OBR) most recently forecast income from SDLT in March 2023. They predicted SDLT income to be £12.2 billion in 2022/23,

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<sup>1</sup> UK Government, [Stamp Duty Land Tax](#), GOV.UK, accessed 7 June 2023

<sup>2</sup> Commons Library Briefing CBP-7050, [Stamp duty land tax on residential property: Government policy up to 2021](#)

<sup>3</sup> As above

<sup>4</sup> HMRC, [UK Stamp Tax statistics 2021 to 2022 – Commentary](#), GOV.UK, updated 31 January 2023 (accessed on 13 June 2023)



decreasing to £8.3 billion in 2024/25, and then rising again to £14.3 billion by 2027/28.<sup>5</sup>

## 1.4 Where does SDLT apply?

SDLT applies to England and Northern Ireland only. There are separate property transaction taxes in Scotland (the Land and Buildings Transaction Tax) and Wales (the Land Transaction Tax). The taxes in Scotland and Wales are discussed in sections 4 and 5 of this briefing.

## 1.5 What legislation applies to SDLT?

The main provisions for SDLT are consolidated in Part 4 of the Finance Act 2003, as amended.<sup>6</sup> Part 4 of the Act was most recently amended by the Stamp Duty Land Tax (Temporary Relief) Act 2023, which sets out the current rates.<sup>7</sup>

## 1.6 What are the current SDLT rates?

The current SDLT rates on residential property are set out in the table below.

**Table 2: SDLT on residential property from 23 September 2022 until 31 March 2025**

Purchase price	SDLT rate
£0 to £250,000	0% (nil-rate band)
£250,001 to £925,000 (the next £675,000)	5%
£925,001 to £1.5 million (the next £575,000)	10%
Over £1,500,000	12%

Source: HMRC, [Stamp Duty Land Tax: Residential property rates](#), GOV.UK, accessed on 20 April 2023

<sup>5</sup> Office for Budget Responsibility (OBR), [Fiscal supplementary tables: 2.7 Property transactions taxes: Receipts by sector](#), March 2023

<sup>6</sup> [Finance Act 2003, pt4](#)

<sup>7</sup> [Stamp Duty Land Tax \(Temporary Relief\) Act 2023](#)

## 1.7

## Does SDLT apply in the same way to all residential properties?

The price of the property is only one factor affecting the overall SDLT charge an individual might incur. Differential rates apply depending on the circumstances of the buyer.

### The First Time Buyers' Relief (FTBR)

For people purchasing their first home, a First Time Buyers' Relief (FTBR) applies. FTBR means that first-time buyers pay no SDLT on properties up to £425,000 and pay 5% on the portion of the property price between £425,001 and £625,000. If the overall price of the property is above £625,000, no relief applies.<sup>8</sup>

### The Higher Rate on Additional Dwellings (HRAD)

People purchasing an additional property (such as a second home or a buy-to-let property) may incur an additional charge of 3% on top of regular SDLT rates. This is called the Higher Rate on Additional Dwellings (HRAD). This includes the nil-rate band, which is charged at 3% for the purchase of additional dwellings. These rules apply to both spouses and civil partners as if they are purchasing the property together, even if they are not.<sup>9</sup>

People can apply for a refund if they temporarily own two properties because they are replacing their main residence but have not been able to sell their former main residence yet.<sup>10</sup> If someone purchases an additional residence but sells or gives away their previous main home within three years of purchasing the new one, they can apply to HMRC for a refund on the higher rate.<sup>11</sup>

### The non-resident surcharge

Individuals not classed as UK residents may have to pay a 2% surcharge on top of regular SDLT rates when they purchase residential property. This includes the nil-rate band, which is charged at 2% for purchases by non-UK residents. An individual is classed as a UK resident if they are present in the UK for at least 183 days during the 12 months before the purchase. A refund on this surcharge is available if the individual has been in the UK for at least 183

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<sup>8</sup> HM Revenue and Customs (HMRC), [Stamp Duty Land Tax relief for land or property transactions](#), GOV.UK, updated 20 October 2022 (accessed on 7 June 2023)

<sup>9</sup> HMRC, [Higher rates of Stamp Duty Land Tax](#), GOV.UK, updated 11 November 2022 (accessed 7 June 2023)

<sup>10</sup> Further guidance is available at the HMRC webpage on [Higher rates of Stamp Duty Land Tax](#)

<sup>11</sup> As above

days in the two-year period beginning 364 days before the date of the transaction and ending 365 days after the transaction.<sup>12</sup>

Box 1 shows the SDLT charge on a transaction of a property worth £550,000, where the buyer is purchasing a home for the first time. Box 2 shows the SDLT charge on a home worth £700,000, where the house is an additional property. Lastly, Box 3 shows the SDLT charge on a property worth £1 million, where the home is an additional property and the buyer is not a UK resident .

## 1 SDLT on a property worth £550,000 (first-time buyer)

Ariel is buying her first home. She is purchasing a house worth £550,000 in England. Because this is her first home, she is eligible for First Time Buyers' Relief.

Because of the higher nil-rate band for First Time Buyers' Relief, she will pay no SDLT on the first £425,000 of the total price. Her SDLT charge is as follows:

- 0% SDLT on the first £425,000 of the property
- 5% SDLT on the remaining £125,000 = £6,250

Therefore, Ariel's total SDLT charge is £6,250.

## 2 SDLT on a property worth £700,000 (additional home)

Mo owns a home in the UK. They decide to buy an additional property as a holiday home.

Because they are buying an additional property, and are not replacing their main home, Mo will be liable for the Higher Rate on Additional Dwelling on top of regular SDLT rates. Their SDLT bill is:

- 3% SDLT (0 + 3) on the first £250,000 of the property = £7,500
- 8% SDLT (5 + 3) on the remaining £450,000 = £36,000

Therefore, Mo's total SDLT charge is £43,500.

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<sup>12</sup> HMRC, [Rates of Stamp Duty Land Tax for non-UK residents](#), GOV.UK, updated 23 September 2022 (accessed 7 June 2023)

### 3 SDLT on a property worth £1 million

Ronnie buys a house worth £1 million, in England. The transaction date is 20 April 2023. He is not classed as a UK resident. This is the second property he is purchasing, and he does not intend to sell his other property.

Therefore, he will be liable to pay the Higher Rate on Additional Dwellings and the non-resident surcharge on top of regular Stamp Duty Land Tax rates.

Therefore, he pays:

- 5% SDLT (0 + 3 + 2) on the first £250,000 of the property = £12,500
- 10% SDLT (5 + 3 + 2) on the next 675,000 = £67,500
- 15% SDLT (10 + 3 + 2) on the remaining £75,000 = £11,250

Therefore, Ronnie's total SDLT charge is £91,250. If, between 21 April 2022 and 20 April 2024, Ronnie is present in the UK for at least 183 days, he will be able to claim a refund on the 2% non-resident surcharge (£20,400).

The Government has published a [Stamp Duty calculator](#) which people can use to calculate how much SDLT they would have to pay on a property purchase.<sup>13</sup>

## 1.8

### Further reading

The Library briefing on [Stamp Duty Land Tax on residential property: Government policy up to 2021](#) has more detail on the history and early development of SDLT, particularly since 2014.<sup>14</sup>

<sup>13</sup> UK Government, [Calculate Stamp Duty Land Tax \(SDLT\)](#), GOV.UK, accessed on 20 April 2023

<sup>14</sup> Commons Library Briefing CBP-7050, [Stamp duty land tax on residential property: Government policy up to 2021](#)

## 2 SDLT from 1 April 2025

### 2.1 Are SDLT rates going to change?

Stamp Duty Land Tax rates will change, as the current rates are temporary. The current rates were established by the Stamp Duty Land Tax (Temporary Relief) Act 2023, section 1. Subsection 1(b) states that the temporary relief period will end on 31 March 2025.<sup>15</sup>

From 1 April 2025, the rates will be set at the level that was in place before 23 September 2022 (when the temporary relief period began). These rates and thresholds are set out in Part 4, Section 55 of the Finance Act 2003 and are shown in the table below.<sup>16</sup>

### 2.2 What are the rates and thresholds going to be?

Table 3 shows the rates that will be implemented on 1 April 2025.

Purchase price	SDLT rate
£0 to £125,000	0% (nil-rate band)
125,001 to £250,000 (the next £125,000)	2%
£250,001 to £925,000 (the next £675,000)	5%
£925,001 to £1.5 million (the next £575,000)	10%
Over £1,500,000	12%

Source: HMRC, [Stamp Duty Land Tax: Residential property rates](#), GOV.UK, accessed on 20 April 2023

The main difference between the current duty structure and the new one is that the nil-rate band (NRB) will only apply to the first £125,000 of the value of

<sup>15</sup> [Stamp Duty Land Tax \(Temporary Relief\) Act 2023, s1, sub-s1](#)

<sup>16</sup> [Finance Act 2003, pt4, s55](#)

a property, and a 2% SDLT rate will apply to the £125,000 portion of the value after that.

## Changes to FTBR

The First Time Buyers' Relief thresholds will also revert to the values they had before the temporary relief period began:<sup>17</sup>

- First-time buyers will benefit from a 0% SDLT charge on the first £300,000 of the property value. The threshold is currently £425,000
- They will benefit from a 5% SDLT rate on the next £200,000.
- If the value of the property exceeds £500,000, FTBR will not be applicable. This value is currently £625,000.

These rates are set out in Schedule 6ZA of FA 2003.<sup>18</sup>

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<sup>17</sup> HMRC, [Stamp Duty Land Tax rates: 1 October 2021 to 22 September 2022](#), GOV.UK, updated 23 September 2022 (accessed on 20 April 2023)

<sup>18</sup> [Finance Act 2003, sch 6ZA](#)

## 3 Policy development of SDLT since 2020

### 3.1 Covid-19 and the Plan for Jobs

The Covid-19 pandemic caused a significant reduction in activity in the housing market because of the restrictions to movement imposed to safeguard public health.

In this context, then Chancellor Rishi Sunak delivered a statement on 8 July 2020 to update the House of Commons on the state of the economy.<sup>19</sup> In order to support the housing market to rebound from pandemic pressures, he increased the SDLT nil-rate band from £125,000 to £500,000. The measure took effect immediately.<sup>20</sup> This was possible as the House approved a Provisional Collection of Taxes Motion. More information about this can be found in Box 4 below.

#### 4 Provisional collection of taxes

Recently, many changes in Stamp Duty Land Tax have taken place with immediate effect (that is, on the same day as the announcement of the measure in the Commons). This is possible due to the existence of [the Provisional Collection of Taxes Act 1968](#). If the House of Commons approves a Provisional Collection of Taxes Motion, the Act allows the Government to collect money even before the relevant bill has received Royal Assent. This power is only temporary, and permanent statutory effect can only be given by an Act of Parliament.<sup>21</sup>

Changes to taxes such as SDLT are often implemented immediately after an announcement to avoid unintended effects on consumers' behaviour. For instance, if a Chancellor announced a permanent reduction in SDLT, but decided to implement it many months later, it is likely that many prospective house buyers would hold off purchasing a house to capitalise on the tax saving. This in turn would risk a significant, unintended slowdown in housing market activity.

<sup>19</sup> HC Deb [8 July 2020](#), cc973-978

<sup>20</sup> As above, cc1016-1017

<sup>21</sup> UK Parliament, [Friskine May: Provisional collection of taxes](#), accessed on 8 June 2023, para 36.36. See also chapter 1 of the Library briefing on [the Budget and the annual Finance Bill](#) for further information on this.

Increases to excise duties such as tobacco duty also tend to be implemented immediately. This is to avoid consumers using the advance notice of the tax increase to bulk-purchase products (such as cigarettes) before the tax increase is implemented.

The table below shows the change in SDLT after the then Chancellor's statement.

**Table 4: SDLT on residential property before and after 8 July 2020**

Purchase price	SDLT rate	
	Before 8 July 2020	After 8 July 2020
£0 to £125,000	0% (nil-rate band)	0% (nil-rate band,)
£125,001 to £250,000 (the next £125,000)	2%	Zero
£250,001 to £500,000 (the next £250,000)	5%	Zero
£500,001 to £925,000 (the next £425,000)	5%	5%
£925,000 to £1,500,000 (the next £575,000)	10%	10%
Over £1,500,000	12%	12%

Source: HMRC, [Stamp Duty Land Tax rates: 8 July 2020 to 30 June 2021](#), GOV.UK, 23 September 2022

## The Stamp Duty Land Tax (Temporary Relief) Act 2020

Permanent statutory power to Rishi Sunak's announcement was given via the Stamp Duty Land Tax (Temporary Relief) Act 2020 (introduced as the Stamp Duty Land Tax (Temporary Relief) Bill 2019-21).<sup>22</sup>

All the Commons stages of the Bill took place on 13 July 2020.<sup>23</sup> The Bill received Royal Assent on 22 July 2020.<sup>24</sup>

The Act made provisions for the temporary relief to end on 31 March 2021, after which the rates would return to their former levels.

In November 2020, the Office for Budget Responsibility (OBR) estimated that the increase in the nil-rate band would cost the Government £3.3 billion.<sup>25</sup> By comparison, the cut to VAT for the hospitality sector was estimated to cost £2.5 billion, and the Eat Out to Help Out scheme had costed £800 million

<sup>22</sup> [Stamp Duty Land Tax \(Temporary Relief\) Act 2020](#)

<sup>23</sup> HC Deb [13 July 2020](#), cc1291-1342

<sup>24</sup> UK Parliament, [Stamp Duty Land Tax \(Temporary Relief\) Act 2020: Stages](#), accessed 7 June 2023

<sup>25</sup> OBR, [Economic and Fiscal Outlook: November 2020](#) (PDF), Table A.3, p178



between 3 and 31 August 2020.<sup>26</sup> These schemes were announced at the same time as the SDLT relief.

## 3.2 Budget 2021

Then Chancellor Rishi Sunak held his following Budget on 3 March 2021. As part of that, he announced an extension of the SDLT temporary relief to 30 June 2021. He also announced a transitional nil-rate band between July and September 2021, set at £250,000, to “smooth the transition back to normal.” The rates are set out below for comparison.

**Table 5 SDLT on residential property, 2020 to 2021**

Purchase price	SDLT rate		
	Up to 8 July 2020 and from 1 October 2021	8 July 2020 – 30 June 2021	1 July – 30 September 2021
£0 - £125,000	0% (nil-rate band)	0% (nil-rate band)	0% (nil-rate band)
£125,001 to £250,000 (the next £125,000)	2%	0% (nil-rate band)	0% (nil-rate band)
£250,001 to £500,000 (the next £250,000)	5%	0% (nil-rate band)	5%
£500,001 to £925,000 (the next £425,000)	5%	5%	5%
£925,000 to £1,500,000 (the next £575,000)	10%	10%	10%
Over £1,500,000	12%	12%	12%

Source: HMRC, [Stamp Duty Land Tax rates from 1 December 2003 to 22 September 2022](#), GOV.UK, last updated 23 September 2022 (accessed on 21 April 2023)

The OBR estimated that the extension of the relief would cost the Government £1.5 billion by the end of 2021/22.<sup>27</sup>

<sup>26</sup> OBR, [Economic and Fiscal Outlook: November 2020](#) (PDF), Table A.3, p178. For further information on the VAT relief on hospitality, see the Library briefing on [VAT on tourism](#), and the Library briefing on the [Eat Out to Help Out Scheme](#) for information on that.

<sup>27</sup> OBR, [Economic and Fiscal Outlook: March 2021](#) (PDF), p115

The extension was legislated in clause 87 of the Finance (No.2) Bill 2019-21, now section 87 of the Finance Act 2021.<sup>28</sup>

No further amendments were made to the temporary relief. On 1 October 2021, SDLT returned to the pre-8 July rates.

### 3.3 September 2022: The Growth Plan

As part of the Truss Administration's 'Growth Plan', then Chancellor Kwasi Kwarteng delivered a statement to the Commons on 23 September 2022. During the statement, he announced a permanent reduction to SDLT, stating that the nil-rate band would permanently increase to £250,000.<sup>29</sup> The rates and thresholds before and after the announcement are set out below.

**Table 6: SDLT on residential property, before and after 23 September 2022**

Property value	SDLT rate	SDLT rate
	Before 23 September 2022	From 23 September 2022
£0 to £125,000	0% (nil-rate band)	0% (nil-rate band)
£125,001 to £250,000 (the next £125,000)	2%	0% (nil-rate band)
£250,001 to £925,000 (the next £675,000)	5%	5%
£925,000 to £1,500,000 (the next £575,000)	10%	10%
Over £1,500,000	12%	12%

Source: HMRC, [Stamp Duty Land Tax rates: 1 October 2021 to 22 September 2022](#), GOV.UK, 23 September 2022

These rates were the same as those introduced by former Chancellor Rishi Sunak between 1 July and 30 September 2021.

Kwasi Kwarteng also announced a permanent increase of the First Time Buyer Relief (FTBR):

- The NRB for first-time buyers increased from £300,000 to £425,000
- The maximum amount first-time buyers could buy a house for and be eligible for FTBR increased from £500,000 to £625,000.<sup>30</sup>

The changes took place immediately after the House approved a Provisional Collection of Taxes motion.<sup>31</sup>

<sup>28</sup> [Finance Act 2021, s87](#)

<sup>29</sup> HC Deb [23 September 2022](#), c938

<sup>30</sup> As above

<sup>31</sup> As above, cc977-978

## 3.4

# October 2022 and the 2022 Autumn Statement

Jeremy Hunt became Chancellor on 14 October 2022.<sup>32</sup> On 17 October, he announced to the Commons that the SDLT reduction would not be reversed. Therefore, the Government would still introduce a Bill to give permanent legal power to the changes provisionally introduced on 23 September.<sup>33</sup>

The second reading of the Bill took place on 24 October 2022.<sup>34</sup>

## Autumn Statement 2022

In the 2022 Autumn Statement, the Chancellor announced that the Government would make the reduction introduced by his predecessor temporary. Therefore, the Government would table amendments to the Bill prior to Committee stage, to end the relief on 31 March 2025.<sup>35</sup>

The permanent reduction, therefore, became a temporary relief, which was reflected in an amendment seeking to change the title of the Bill to “Stamp Duty Land Tax (Temporary Relief) Bill 2022-23”.<sup>36</sup>

The Bill became an Act after receiving Royal Assent on 8 February 2023. The Library briefing on the [Stamp Duty Land Tax \(Temporary Relief\) Act 2023](#) has more detail on this.<sup>37</sup>

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<sup>32</sup> Prime Minister’s Office, 10 Downing Street, [Ministerial appointments: 14 October 2022](#), GOV.UK, 14 October 2022

<sup>33</sup> HC Deb [17 October 2022](#), c395

<sup>34</sup> HC Deb [24 October 2022](#), cc89-102

<sup>35</sup> HM Treasury, [Autumn Statement 2022](#), November 2022, p50

<sup>36</sup> House of Commons, [Stamp Duty Land Tax \(Reduction\) Bill \(Amendment Paper\)](#) (PDF), 10 January 2023

<sup>37</sup> Commons Library Briefing CBP-9698, [Stamp Duty Land Tax \(Temporary Relief\) Act 2023](#)

## 4 Scotland: The Land and Buildings Transaction Tax

The Land and Buildings Transaction Tax (LBTT) replaced Stamp Duty Land Tax in Scotland from 1 April 2015.<sup>38</sup>

The current rates of LBTT on residential property are set out in the Table below.

**Table 7: LBTT on residential property from 1 April 2021**

Purchase price	LBTT rate
£0 to £145,000	0% (nil-rate band)
145,001 to £250,000 (the next £105,000)	2%
£250,001 to £325,000 (the next £125,000)	5%
£325,001 to £750,000 (the next £425,000)	10%
Over £750,000	12%

Source: Revenue Scotland, [Land and Buildings Transaction Tax](#), accessed on 25 May 2023

### 4.1 First Time Buyers' Relief

LBTT applies a FTBR in the same way as SDLT in England and Northern Ireland. The FTBR increases the nil-rate band for first-time buyers to £175,000 instead of £145,000.<sup>39</sup>

### 4.2 The Additional Dwelling Supplement

LBTT applies an Additional Dwelling Supplement (ADS) on top of standard LBTT rates if someone is purchasing an additional residential property, similarly to how the Higher Rate on Additional Dwellings operates in England and Northern Ireland. The Additional Dwelling Supplement also does not apply if someone is replacing their main residence.<sup>40</sup> People have to have sold

<sup>38</sup> Revenue Scotland, [Land and Buildings Transaction Tax](#), accessed on 25 May 2023

<sup>39</sup> As above

<sup>40</sup> Revenue Scotland, [The Additional Dwelling Supplement \(ADS\)](#), accessed on 25 May 2023

their previous main home up to 18 months after purchasing their new main home, in order for the rebate to apply, whereas people in England and Northern Ireland can apply for a rebate on the Higher Rate on Additional Dwellings if they sell their previous main residence within three years.<sup>41</sup>

As of 16 December 2022, the ADS rate is 6% of the purchase price.<sup>42</sup>

## 4.3 The non-resident surcharge

LBTT does not include a non-resident surcharge in the way that SDLT does.

## 4.4 Development of LBTT

Since its implementation, LBTT rates have remained at the same level, with the exception of the period between 15 July 2020 and 31 March 2021, where the NRB was increased from £145,000 to £250,000. The comparison is shown in the table below.

Purchase price	LBTT rates, 1 April 2015 to 14 July 2020	LBTT rates, 15 July 2020 to 31 March 2021	LBTT rates as of 1 April 2021
£0 to £145,000	0% (nil-rate band)	0% (nil-rate band)	0% (nil-rate band)
£145,001 to £250,000 (the next £105,000)	2%	0% (nil-rate band)	2%
£250,001 to £325,000 (the next £125,000)	5%	5%	5%
£325,001 to £750,000 (the next £425,000)	10%	10%	10%
£750,000	12%	12%	12%

Source: Revenue Scotland, [Residential Property](#), accessed on 13 June 2023

The increase of the NRB for that period mirrored the announcement by then Chancellor Rishi Sunak with respect to SDLT. The increase in the NRB was

<sup>41</sup> Revenue Scotland, [The Additional Dwelling Supplement \(ADS\)](#), accessed on 25 May 2023

<sup>42</sup> As above

implemented to support the rebound of the housing market during the Covid-19 pandemic.<sup>43</sup>

Unlike the UK Government, the Scottish Government did not increase the FTBR threshold. The Revenue Scotland website says that “First-time Buyer Relief would therefore have had no practical effect during the temporary period in which the £250,000 nil rate band threshold was in place”.<sup>44</sup> Announcing the changes to LBTT to the Scottish Parliament on 9 July 2020, then Finance Minister Kate Forbes admitted that the blanket changes made to LBTT “might not help first-time buyers”.<sup>45</sup> She then detailed other sources of support for first-time buyers, separate from LBTT, particularly the addition of £50 million to the Scottish Government’s first home fund.<sup>46</sup>

When Rishi Sunak announced an extension to the temporary SDLT relief in March 2021, the Scottish Government maintained their position that the LBTT relief would conclude at the end of March 2021. Then First Minister Nicola Sturgeon defended this position during First Minister Question Time on 11 March 2021. Pauline McNeill (Labour) asked why the Scottish Government had chosen not to extend the LBTT relief. Nicola Sturgeon replied that the Scottish Government had not seen the blockages in the housing market that had been observed in England, and that the decision was taken to support the specific circumstances of the Scottish housing market.<sup>47</sup>

In 2021, Scottish Minister for Community Wealth and Public Finance Tom Arthur (Scottish National Party) responded to a question posed during Portfolio Question Time. Liz Smith’s (Conservative) asked a question on whether the Scottish Government was planning to “introduce regional schemes” for LBTT in Scotland.<sup>48</sup> This would have meant introducing different rates in different areas of Scotland. The Minister responded saying he was open to receiving representation on this but added that the Scottish Government would have to be cautious about potentially “introducing unnecessary complexity in the system by using a localised methodology.”<sup>49</sup> There is no indication that the Scottish Government is planning to introduce this.

In their Budget on 15 December 2022, the Scottish Government announced that the Additional Dwelling Supplement rate would increase from 4% to 6%, effective from 16 December 2022.<sup>50</sup>

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<sup>43</sup> SP OR [9 July 2020](#), cc34-53

<sup>44</sup> Revenue Scotland, [Land and Buildings Transaction Tax – Residential property](#), GOV.SCOT, accessed on 1 June 2023

<sup>45</sup> SP OR [9 July 2020](#), c38

<sup>46</sup> As above

<sup>47</sup> SP OR [11 March 2021](#), c18

<sup>48</sup> SP OR [23 June 2021](#), cc1-2

<sup>49</sup> As above

<sup>50</sup> Scottish Government, [Scottish Budget: 2023-24](#), GOV.SCOT, 15 December 2022. See also, [The Land and Buildings Transaction Tax \(additional amount: transactions relating to second homes etc.\) \(Scotland\) Amendment Order 2022, SSI 2022/375](#)

In a meeting of the Finance and Public Administration Committee on 17 January 2023, Tom Arthur said that the increase of the supplement to 6% aimed to “protect opportunities for first-time buyers and home movers by further helping them to compete with buy-to-let investors and second-home owners”.<sup>51</sup>

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<sup>51</sup> SP OR SL [17 January 2023](#), cc1-2

## 5 Wales: The Land Transaction Tax

The Land Transaction Tax (LTT) replaced Stamp Duty Land Tax in Wales on 1 April 2018. The current LTT rates are shown in the table below.

**Table 9: LTT on residential property from 10 October 2022**

Purchase price	LTT rate
£0 to £225,000	0% (nil-rate band)
£225,001 to £400,000 (the next £175,000)	6%
£400,001 to £750,000 (the next £350,000)	7.5%
£750,001 to £1,500,000 (the next £750,000)	10%
£1,500,000	12%

Source: Welsh Government, [Land Transaction Tax rates and bands](#), GOV.WALES, 10 October 2022

### 5.1 First Time Buyers' Relief

There is no relief available to first-time buyers in Wales.<sup>52</sup>

### 5.2 The higher residential rates

Higher residential rates apply for purchases of additional dwellings, in a similar way to SDLT in England and Northern Ireland and the Land and Buildings Transaction Tax in Scotland. Originally set at an additional 3% on top of regular LTT rates, it was increased to 4% in December 2022.

Unlike Stamp Duty Land Tax and Land and Buildings Transaction Tax, LTT has a different schedule of thresholds for transactions liable for the higher rate. The rates are shown below.

<sup>52</sup> Welsh Government, [Land Transaction Tax](#), GOV.WALES, updated 23 May 2023 (accessed on 7 June 2023)



**Table 10: LTT (higher residential rates) on residential property from 10 October 2022**

Purchase price	LTT rate
£0 to £180,000	4%
£180,001 to £250,000 (the next £75,000)	7.5%
£250,001 to £400,000 (the next £150,000)	9%
£400,001 to £750,000 (the next £350,000)	11.5%
£750,001 to £1,500,000 (the next £750,000)	14%
£1,500,000	16%

Source: Welsh Government, [Land Transaction Tax rates and bands](#), GOV.WALES, 10 October 2022

## 5.3 The non-resident surcharge

There is no additional charge for non-residents in Wales.

## 5.4

## Development of LTT

Both the main and additional residential rates have changed several times since the implementation of LTT in 2018. The table below shows the changes to the main residential rates and thresholds.

<b>Table 11 LTT rates since 1 April 2018</b>				
<b>Price threshold</b>	<b>1 April 2018 to 26 July 2020</b>	<b>27 July 2020 to 30 June 2021</b>	<b>1 July 2021 to 9 October 2022</b>	<b>From 10 October 2022</b>
£0 to £180,000	0% (nil-rate band)	0% (nil-rate band)	0 (nil-rate band)	0% (nil-rate band)
£180,001 to £225,000	3.5%	0% (nil-rate band)	3.5%	0% (nil-rate band)
£225,001 to £250,000	3.5%	0% (nil-rate band)	3.5%	6%
£250,001 to £400,000	5%	5%	5%	6%
£400,001 to £750,000	7.5%	7.5%	7.5%	7.5%
£750,001 to £1,500,000	10%	10%	10%	10%
Over £1,500,000	12%	12%	12%	12%

Source: Welsh Government, [Land Transaction Tax rates and bands](#), GOV.WALES, 10 October 2022

Similarly to the UK and Scottish governments, the Welsh Government introduced a temporary LTT relief during the Covid-19 pandemic. However, the Welsh Government said that tax rates for transactions liable for higher rates (such as purchases of additional homes) would remain unchanged.<sup>53</sup>

In September 2022, the Welsh Government announced that the main nil-rate band would be increased from £180,000 to £225,000 from 10 October 2022. A press release stated that this increase would ensure the threshold reflected the increase in house prices observed over the previous two years.<sup>54</sup> The press release added that the change was brought forward because of changes to SDLT announced in the previous week by then UK Chancellor Kwasi

<sup>53</sup> Welsh Government, [Changes to Land Transaction Tax nil rate threshold](#), GOV.WALES, 14 July 2020

<sup>54</sup> Welsh Government press release, [Homebuyers to benefit from new tax rules](#), 27 September 2022

Kwarteng.<sup>55</sup> Speaking to a session of the Welsh Senedd about the measure, Rebecca Evans MS (Welsh Minister for Finance and Local Government) said that “crucially, and unlike the UK Government, tax reductions were not provided to those liable to the higher residential rates of LTT”.<sup>56</sup>

## Proposals for local variations in LTT

In December 2021, the Welsh Government launched a consultation on a proposal to allow for LTT rates to be differentiated in certain local areas for second homes, short-term holiday lets, and other additional residential properties.<sup>57</sup> The consultation was launched to support the Welsh Government’s objective of ensuring that there was enough affordable housing in Wales. The consultation foreword states that this goal was threatened by high levels of second homes and holiday lets in some Welsh communities.<sup>58</sup>

The Welsh Government cited a report addressing policy development on second homes in Wales, authored by Dr Simon Brooks. Dr Brooks had recommended varying rates of LTT in local areas to reflect local circumstances:

It should be possible to vary the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances. To achieve this:

- The Welsh Government could delegate to county councils a right to vary the higher rates of the land transaction tax, potentially adding a further rate to the tax up to 4% of the value of the second property in some parts of Wales.
- Or, the Welsh Government could vary the higher rates of the land transaction tax in this manner in specific local government wards heavily affected by the second homes problem.<sup>59</sup>

The consultation summary of responses highlighted strong support for local variations in the higher rates of LTT in areas where there was an evident need to do so.<sup>60</sup>

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<sup>55</sup> As above

<sup>56</sup> Plenary (8 November 2022), [The Land Transaction Tax \(Tax Bands and Tax Rates\) \(Wales\) \(Amendment\) Regulations 2022](#)

<sup>57</sup> Welsh Government, [Local variation to land transaction tax rates for second homes, short-term holiday lets and potentially other additional residential properties](#), GOV.WALES, 20 December 2021

<sup>58</sup> Welsh Government, [Local variation to land transaction tax rates for second homes, short-term holiday lets and potentially other additional residential properties](#), GOV.WALES, 20 December 2021 – the Welsh Government had also run two separate consultations surrounding additional dwellings, one addressing [local taxes for second homes and self-catering accommodation](#), and one on [planning legislation and policy for second homes and short-term holiday lets](#).

<sup>59</sup> Welsh Government, [Local variation to land transaction tax rates for second homes, short-term holiday lets and potentially other additional residential properties](#), GOV.WALES, 20 December 2021

<sup>60</sup> Welsh Government, [Consultation – summary of response: Land transaction tax and second homes](#) (PDF), GOV.WALES, 15 July 2022

The consultation closed in March 2022. On 4 July 2022, First Minister Mark Drakeford and the leader of Plaid Cymru Adam Price set out the next steps in their strategy to tackle the issue of second homes affecting communities in Wales. Among other proposals, the leaders said that work will begin on that day jointly with Welsh local authorities to develop a framework for authorities to request increased LTT rates on additional homes in their areas.<sup>61</sup>

No further developments on this policy initiative have been published since.

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<sup>61</sup> Welsh Government press release, [New package of measures to address high numbers of second homes](#), 4 July 2022

## 6 Commentary on property transaction taxes

There has been substantial commentary, both within Parliament and from property and tax professionals, on the recent changes to Stamp Duty Land Tax, particularly pertaining to the altering of the thresholds in July 2020 and in September 2022.

Relevant commentary on specific policy initiatives can be found in the following Library briefings:

- Chapter 6 of the Library briefing on [Stamp Duty Land Tax on residential property: Government policy up to 2021](#) looks at commentary surrounding Rishi Sunak's SDLT relief announced on 8 July 2020.<sup>62</sup>
- Chapter 7 of the same briefing analyses the commentary on the extension of the relief to June 2021, and its tapering back to regular levels to September 2021.<sup>63</sup>
- Chapter 6 of the Library briefing on the [Stamp Duty Land Tax \(Temporary Relief\) Act 2023](#) analyses the commentary on the permanent reduction announced by Kwasi Kwarteng in September 2022, and the change to a temporary relief by Jeremy Hunt in November 2022.<sup>64</sup>

Commentary from Parliamentarians and experts on previous changes to SDLT is also included in the Library briefing on [Stamp Duty Land Tax on residential property: Government policy up to 2021](#).<sup>65</sup>

An overwhelming majority of existing commentary on this only focuses on SDLT. However, the examination and thoughts on reforming SDLT are similarly applicable to Land Transaction Tax and Land and Buildings Transaction Tax as well, given that the three taxes are similar in their design and application.

Aside from commentary surrounding recent changes to the tax, property and tax professionals have also criticised the structure of SDLT as a whole.

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<sup>62</sup> Commons Library Briefing CBP-7050, [Stamp duty land tax on residential property: Government policy up to 2021](#)

<sup>63</sup> As above

<sup>64</sup> Commons Library Briefing CBP-9698, [Stamp Duty Land Tax \(Temporary Relief\) Act 2023](#)

<sup>65</sup> Commons Library Briefing CBP-7050, [Stamp duty land tax on residential property: Government policy up to 2021](#)

## 6.1

# Proposals to reform SDLT

There has been long-standing criticism of SDLT, regardless of recent reforms that have sought to make it less distortionary on the housing market.

## Debates in the House of Commons

The last time the issue of reforming SDLT was substantially raised in Parliament was in January 2018, when the tax was the subject of a Westminster Hall debate.<sup>66</sup> Introducing the debate, John Stevenson (Conservative) argued that SDLT should be paid by the seller, rather than the buyer. Then Treasury Minister Mel Stride said that, since the cost of SDLT was reflected in the value of the property, it would have a limited effect in terms of the overall cost. Additionally, Mel Stride added that there would be a concern for people wishing to downsize if they were to pay SDLT on the house they were selling.<sup>67</sup>

In January 2023, Christopher Chope (Conservative) said in the House of Commons that SDLT was “arbitrary, clunky and unfair in how it applies in different parts of the country”.<sup>68</sup> This is a criticism that has often been levelled against SDLT. This criticism was reiterated in June 2023 during a debate in the Commons chamber on new housing supply. Ben Everitt (Conservative) said that SDLT was a “tax on social mobility”, and that it was causing issues in mobility in sectors needed to drive economic activity.<sup>69</sup> Craig Mackinlay (Conservative) proposed a “downsizing relief” for SDLT.<sup>70</sup>

Leading the debate, David Davis (Conservative) argued that the housing taxation regime, including SDLT, should be used to support people looking to buy their homes.<sup>71</sup>

## The Mirrlees Review

A review of the UK tax system (the Mirrlees Review), chaired by Sir James Mirrlees for the Institute of Fiscal Studies, had already advocated in 2010 that SDLT should be replaced with a different tax. Because it is a ‘transaction tax’ (a tax on a sale) it was seen as inefficient as it discouraged “mutually beneficial transactions”.<sup>72</sup> Therefore, SDLT was seen as an obstruction to a property being held by those who would value it the most. The review argued that since SDLT discourages people to move, it can cause inflexibility in the labour market. Additionally, the review said that SDLT taxed housing more according to how many times a house was sold during its lifetime. They

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<sup>66</sup> HC Deb [23 January 2018](#), c102WH

<sup>67</sup> As above

<sup>68</sup> HC Deb [10 January 2023](#), c473

<sup>69</sup> HC Deb [5 June 2023](#), cc640-641

<sup>70</sup> As above, c641

<sup>71</sup> As above, c630

<sup>72</sup> Institute of Fiscal Studies (IFS), [Mirrlees Review](#), 13 September 2010

argued that “there is no good economic argument for taxing more-frequently-traded housing more”.<sup>73</sup>

Although the Mirrlees Review was published in 2011, prior to some major reforms to the structure of the tax that began in 2014, a lot of the arguments made continue to be made. At the time, a property tax expert at Pinsent Masons, Jennie Newton, said that although it was unlikely that SDLT would be abolished in the foreseeable future, “few would disagree with the review’s conclusion that stamp duty land tax is a mess”.<sup>74</sup>

## Institute for Fiscal Studies

Paul Johnson, the director of the economics research organisation the Institute for Fiscal Studies (IFS), reiterated these arguments in 2016. He said that a key principle of the economics of taxation is that transaction taxes should be avoided. The Family Building Society in 2017 said that many people were living in houses that may be unsuitable to their needs, because it would cost them more to downsize than to stay in their current dwelling.<sup>75</sup> Paul Johnson posed this argument again in a piece in the Times in January 2023, where he argued that SDLT was possibly “the most damaging and pernicious” tax levied in the UK.<sup>76</sup>

Paul Johnson also cited research by Michael Best and Henrik Kleven, who argued that reducing a transactions tax by 1% could increase housing transactions by as much as 10%. He commented that this could signal that even low rates of SDLT could prove damaging to the housing market.<sup>77</sup>

## Treasury Committee

### Economic impact of coronavirus inquiry

Throughout the Covid-19 pandemic, the Treasury Committee has held numerous evidence sessions on the economic impact of the pandemic. SDLT was brought up several times in these hearings. SDLT was especially discussed in a session on 8 July 2020, the day the then Chancellor announced the SDLT temporary reduction. Economics professor Hamish Low said that most economists would agree that stamp duty should be eliminated. When questioned about why SDLT was viewed as a “bad tax”, Professor Low replied:

Because it restricts people’s ability to move. If you are a homeowner in one bit of the country and you have a job offer in a different bit of the country, you are basically putting a transaction cost on making that adjustment. [...] You are

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<sup>73</sup> As above

<sup>74</sup> “[Mirrlees Review recommends “radical” tax reform](#)”, Pinsent Masons [Online], 14 September 2011

<sup>75</sup> LSE, [Stamp Duty Land Tax is suffocating the housing market](#), 11 November 2017

<sup>76</sup> “[Stamping on stamp duty would free empty nesters to fly their coops](#)”, The Times [Online], 16 January 2023

<sup>77</sup> As above

restricting people's ability to adjust their consumption or living patterns. That is a major limitation on labour mobility.<sup>78</sup>

Lord Macpherson (a former Permanent Secretary at HM Treasury) concurred, saying it was a "terrible tax".<sup>79</sup> He added that the problem was magnified by the fact that SDLT rates had increased significantly over recent years, and that he thought reforming the tax had been a missed opportunity.

In July 2020, the Treasury Committee asked Rishi Sunak (then the Chancellor) about the Government's decision to implement a SDLT temporary reduction. Felicity Buchan (Conservative) asked whether an opportunity had been missed to conduct a thorough review of the tax. The then Chancellor said that the Government was not trying to reform the tax system, but rather to stimulate the housing market. He added that it was correct that most countries taxed property, whereas the UK taxed transactions. Dan York-Smith (Director of Strategy for Planning and Budget at HM Treasury) added that most countries had a transaction tax as well as a current property tax, similar to council tax.<sup>80</sup>

### Budget 2021 inquiry

In a separate Treasury Committee inquiry into the 2021 Budget, similar thoughts were shared by several experts. Julian Jessop, an economist, agreed that he would want to see SDLT abolished, and potentially replaced with an annual property tax, to be merged with council tax.<sup>81</sup> He added that stamp duty needed a longer-term reform. Torsten Bell of the think tank Resolution Foundation agreed, saying that an annual tax based on property values should replace SDLT as well as council tax. Paul Johnson also agreed with these proposals, saying it would create a better situation both from an economic and equity standpoint.<sup>82</sup>

In their written evidence to the Treasury Committee's inquiry, the Association of Accounting Technicians (AAT) suggested to change the SDLT liability from buyer to seller, similarly to what John Stevenson had raised in the 2018 Westminster Hall Debate. Although the AAT did not directly call for SDLT to be abolished, they said that SDLT could act as a barrier to housing mobility. They then advocated for the liability change to the seller as a "less drastic alternative" to scrapping the tax.<sup>83</sup>

### Tax after coronavirus inquiry

The Treasury Committee mentioned SDLT in its 'Tax after coronavirus' report, published in February 2021. After summarising evidence from economists and tax experts as part of its inquiry, it concluded by recommending that:

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<sup>78</sup> Treasury Committee, [Economic impact of coronavirus](#), 8 July 2020, HC 271 2019-21, Q821

<sup>79</sup> As above

<sup>80</sup> Treasury Committee, [Economic Impact of Coronavirus](#), 15 July 2020, HC 271 2019-21, Qq869-870

<sup>81</sup> Treasury Committee, [Budget 2021](#), 3 February 2021, HC 1196 2019-21, Q55

<sup>82</sup> As above

<sup>83</sup> Treasury Committee, [Budget 2021](#), 21 April 2021, HC 1196 2019-21, Ev BGT0003



[...] The Government should treat stamp duty land tax as a priority for reform and should set the tax at a level that optimises revenue while encouraging home ownership. Any review should take into account the impact of any UK changes on equivalent devolved taxes.<sup>84</sup>

## 6.2

### The Government's position on SDLT

The Government's position on SDLT is best summarised by the Government's response to the Treasury Committee's inquiry on tax after coronavirus (published on 2 June 2021).<sup>85</sup> The Government responded to the committee saying that:

- Changes introduced by the Coalition Government had cut SDLT for 98 per cent of SDLT payers, unless they were purchasing additional property. This reform had increased fairness and efficiency within the tax.
- Because of the nil-rate band threshold, a significant number of house transactions are not liable for SDLT. Additionally, 540,000 transactions have benefitted from First Time Buyers' Relief since its introduction in 2017.
- SDLT is a simple tax to collect and administer, and its revenue supports the delivery of essential Government services. Permanent cuts or a total removal of SDLT would represent a significant cost to the Government. Additionally, potential impacts on the housing market would have to be taken into account as well.<sup>86</sup>

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<sup>84</sup> Treasury Committee, [Tax after coronavirus](#), 1 March 2021, HC 664 2019-21, para 200

<sup>85</sup> Treasury Committee, [Tax after coronavirus: the Government's response](#), 2 June 2021, HC 144 2021-22

<sup>86</sup> As above

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