



## **NAEA RESPONSE TO CONSULTATION ON A LAND TRANSACTION TAX**

### **Chapter 2: Residential property transactions**

#### ***Question 1: Do you think the current residential SDLT rates and bands are suitable for Wales?***

The National Association of Estate Agents (NAEA) believe that the new marginal 'sliding' system is the correct approach, as it means home buyers will not face a sudden increase in the tax amount payable following only an incremental increase in their property's value.

However, we believe that the bands should be reformed to reflect the lower value of property in Wales compared to England.

#### ***Question 2: Do you think that the 15 per cent slab rate for certain transactions by non-natural persons should continue to operate in Wales following the introduction of LTT? Please explain the reason for your answer.***

NAEA believe that the higher slab rate for certain transactions by non-natural persons should continue following the introduction of LTT. This is because it is important that the character of unique local communities in Wales is protected, which an influx of outside investment could affect. The uniqueness of Welsh communities is often what makes property in the region so desirable, so this attribute must be maintained for the benefit of the Welsh housing market.

However, whilst the maintenance of local communities should be the Welsh Government's priority, it is important that non-natural persons are not entirely put off from investing in property in the region as foreign investment can often bring with it economic prosperity. Therefore NAEA believe that, whilst a higher rate should remain for non-natural persons, the rate should be lowered slightly to ensure that this type of investment is not entirely discouraged.

#### ***Question 3: What would be the key impacts on the residential market in Wales of having a different transaction tax regime from England?***

The key impact on the residential market in Wales would be largely positive. It could lead to many people, who reside on the English side of the Welsh border, deciding to move to Wales to buy a property, due to a favourable property tax regime.

In the longer term, this may lead to an increase in prices due to the influx in demand, however it will ensure that the Welsh residential market remains healthy and does not fall into decline, which will benefit our members.

#### ***Question 4: Do you think the Welsh Government should have the ability to change or introduce new rates and bands in LTT with immediate effect? Furthermore, do you think there are other areas of LTT where it would be appropriate for the Welsh Government to make changes with immediate effect? Please specify.***

Yes, NAEA believes that the Welsh Government should have the ability to change or introduce new rates and bands. However, it believes that a consultative approach to any change, with a long lead in time, would be beneficial to the property market. This is because any sudden change would negatively distort prices and cause uncertainty in the market.

***Question 5: Do you think the definition used in SDLT defines residential property adequately for the operation of the taxes? Please give details of practical problems with the definition and how you think the definition can be improved (either by statute or guidance).***

We are of the belief that this definition needs amending. In order to define “residential property” adequately an explicit reference to “personal habitation” should be included within the definition, be it as a primary or secondary residence. Currently this distinction is not made.

Furthermore, confusion can arise with properties which have mixed elements of residential and commercial use such as residential hotels, residential care homes, hostels, mobile homes and park homes, as it is not clear under which taxation system such properties fall.

This definition should be enshrined by statute in order to ensure that there is absolute clarity for the purposes of collecting LTT.

#### **Chapter 5: Leases**

***Question 10: Do you think the rent element of residential leases in Wales should be taxed under LTT? What effects do you think will occur if tax on the rent element was not replicated?***

No, NAEA does not believe that the rent element of residential leases in Wales should be taxed under LTT. This is because the yields from such taxes would be too low to make the arrangement worthwhile.

***Question 13: Do you think any other element of the current SDLT regime on leases for either residential or non-residential arrangements should be changed? If so, why?***

No, there is no other element of the current SDLT regime on leases that NAEA feel should be changed.

#### **Chapter 6: Reliefs and Exemptions**

***Question 14: Do you think that any of the current reliefs or exemptions in SDLT should be retained, removed or modified? Please state which you think should be retained, altered or removed and why.***

NAEA believes that the current reliefs and exemptions for SDLT should be retained. The reliefs and exceptions as they stand will apply equally to Welsh home buyers as they currently do to home buyers in the rest of England.

***Question 15: Do you agree that LTT should adopt the SDLT form of sub-sale relief? If so, why?***

Yes, NAEA believes that Wales should adopt the same form of sub-sale relief as the rest of England.

Stakeholder groups such as property developers operate across both England and Wales. Therefore consistency is important in order to streamline their business transactions and to retain clarity in the market.

**Question 16: Do you think there are any suitable cases for introducing new reliefs? Please explain why**

*We believe that new reliefs could be brought in to mitigate in the areas of Wales where there are acute regional differences in house prices.*

## **OTHER QUESTIONS**

**Question 26: Do you have any comments on the initial impact assessment (located at Appendix 2)?**

NAEA agree with the outcome of the impact assessment, and take the view that to do nothing is not an option.

The need for action is particularly acute as, under the stipulations of the devolved powers laid out in the Wales Act 2015, the Welsh Government is set to lose a proportion of its grant money from the UK Government, to offset its newly devolved tax collecting powers.

It is therefore important that the Welsh Government optimises its tax regime, particularly through this reform of SDLT, to ensure that it takes into consideration the uniqueness of the Welsh property market, in order to maximise tax revenue.

**Question 27: Do you think the move to LTT could or should have implications for other areas of taxation in Wales? Please provide an explanation specifying the areas of taxation and what the implications could or should be.**

Yes, the principles applied to LTT could easily be applied to a reform of council tax banding. A reform of council tax banding is long overdue, during which time house prices have soared.

A change in banding, based on a new sliding scale, would allow poorer households to pay less, whilst yielding more revenue from wealthier home owners.

**Question 28: Do you have any other comments on the Welsh Government's plans to implement a land transaction tax in Wales?**

NAEA has nothing else to add other than to say that it agrees with the plans to introduce LTT to replace SDLT, and is supportive of the newly devolved tax regime in Wales.

We would also like to highlight that we plan on publically publishing this consultation response.

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