

Finance Committee – Dialogue Responses

Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Bill

Below are the ideas submitted, by the public, in relation to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Bill. Ideas are unedited and include comments posted by other Dialogue users.

The Dialogue challenge opened on 16 September and closed on 21 October.

Relief

by Charlotte

To allow Roll Over relief for Land Tax, for example, should you sell the property that was purchased within a period of say 5 years and re-invest in another property you could qualify for relief of the Land Tax already paid but you would have to pay the increase due should the following transaction incur a higher rate of Land Tax.

In addition I would suggest a level of relief for first time buyers.

Why the contribution is important?

This may encourage first time buyers and movement in the sales market.

Comments from other Dialogue users:

this idea wouldn't help first time buyers, but would massively help property developers and speculative purchasers. Why should there be a protection for those who have the means to reinvest in more expensive properties, surely



the fairest way would be to assist those with the least i.e. first time buyers because without them the whole market slows up.

Amount of Land Tax

by [Charlotte](#)

I would suggest that the Land tax charged would be at a similar rate if not at a lower rate than that charged in England.

Why the contribution is important?

Surely retaining investment in Wales would be of advantage to our Country. By increasing our levels of Land Tax my view is that it would discourage investment in Wales.

Comments from other Dialogue users:

Very few purchasers (other than those living in the border towns) make a choice of buying in Wales or England, so pegging the tax to the rates charged in England would have little effect. If I want to buy a house in Cardiff I would factor in the % of land tax for Wales, the fact that it may be slightly cheaper or cost more in England isn't suddenly going to make me more or less likely to purchase in Wales, I'll buy where I need to live and where my family is based.

End land tax

by [tiggy](#)

How about having no tax on buying or selling property? This might make it easier for owners and buyers to sell and buy their homes, or businesses, and help make the market more liquid. Taxes could be collected in diverse other ways that are more attractive and rewarding for the owners, such as when



registering ownership details, or when validating sustainability/eco-efficiency values, etcetera.

Why the contribution is important?

It potentially takes some of the financial strain out of the initial purchasing and selling process. There are potentially a number of ways of raising tax revenue that spread the overall costs over a period of time and enable checks and balances to be introduced which alleviate hardship for poorer people, whilst imposing more responsibility on better off people. Both domestic and business property transactions could be changed.

Comments from other Dialogue users:

sorry but I don't agree with your idea to abolish to land tax, this is a long held principle and should be maintained. It is right to tax the sale of land and buildings and is a more equitable means of raising revenue than VAT that penalises those on the lowest incomes.

Stamp duty payable by the seller, not the buyer

by [penartharbyd](#)

For every property sale transaction there are two parties: buyer and seller. That means that a *roughly* equal amount of tax would be taken if stamp duty were to be shifted from the buyer to the seller. I say 'roughly' because the effect of transferring the tax would mean that instead of there being every incentive for the seller to inflate the price of the property – they don't pay the tax currently – there might be slight downward pressure on prices because as the sale price increases so does the tax burden for the person who is benefitting from the sale price. I don't think that would have a huge impact on house prices but then I'm not a property economist.

This shift in tax burden would have an immediate impact on the housing market, because **struggling** first time buyers by definition would have no tax to pay. And while there may be some very wealthy first time buyers who



would benefit inordinately, they would be in the tiny minority. Most first time buyers purchase houses of modest price. This would also avoid at least one of the problems associated with government support schemes, principally that taxpayers' money (in some form) is being used simply to inflate the market and create windfall house price increases for those already owning property.

So that's the plus point from the buyers' end of the market. How about the sellers' end? Well, let's imagine that upon your death your house (if you own one) is sold. As part of your estate, solicitors dealing with your affairs will simply take the tax from the value in the estate. And if your estate is in the negative then the tax comes pretty high on the debtors' list. The main snag of this idea as far as I can tell is that if someone purchased well beyond their means and died suddenly, leaving an estate massively in debt, then the Welsh Government could struggle to get that tax revenue. Would the tax impact of that eventuality be counteracted by the activity associated with the increased ability of first time buyers to enter the market? Possibly.

Another advantage of this plan is that it would be a way of redistributing the tax burden from those of middle income (or capital) to the families of those of high income (capital) because stamp duty would be paid by the estate of people with enormous, highly valued houses (for example), who currently pay nothing. Is there an issue with selling a house to pay for the care of elderly relatives, and the tax being an additional burden on families with these caring responsibilities? Again, possibly. But as time goes by those families will themselves have benefited from not paying stamp duty on their first purchase.

In terms of timing, the move would be instant so the tax take wouldn't take the hit. Some people would benefit from the change taking place on a particular date, but as long as the date were announced with a year or so's notice that shouldn't be too problematic. It would mean a rush for sellers eager to complete a transaction before the cut-off date with an equivalent resistance from buyers.

I said earlier on that it could be a way to *increase* the tax take. And this is a further benefit of the idea. Because it's the vendor, not the purchaser, who



would pay stamp duty under this proposal, and the vendor has an asset (house), tax can be levied on any sale price. A 1% tax on someone selling a £100,000 house should cause less problems than for someone trying to buy that house. The obvious exception is if you've gone and ended up in negative equity, but it's difficult to cater for people who think that house prices can only ever increase. Who knows, perhaps this revision of the tax would be a means of making people treat house purchase with a little more sobriety.

There's one more point about this plan. Someone's bound to say that house prices will equalise in any case and the purchase price for first time buyers will just increase as more competition for available housing arises. My answer to that is that perhaps that's a possibility – but at least then the increased tax is paid by the vendor, not the first-time buyer.

And if you don't own a house, well all this is going to pass you by. As long as the tax take increases – or at least stays the same – you'll be happy in the knowledge that you're not subsidising the housebuying circus.

Cross-border issues? Someone sells a house in England, paying no tax, and buys one in Wales, paying no tax. The reverse is true for someone *leaving* Wales and buying in England. The revenue to the Welsh exchequer remains the same, as does the revenue to the English exchequer. The individuals involved are the ones to gain/lose. It potentially incentivises movement from England to Wales (especially at the high end of the market) and stifles movement in the reverse direction (especially at the lower end). The Committee will want to consider the magnitude of this effect, its significance, and if significant its desirability.

Why the contribution is important?

As above.

Reduces tax burden to nil on first-time buyers (which therefore makes it a progressive tax), increases housing market activity (particularly at the lower end), revenue neutral (or thereabouts).



2nd property rates

by [Susannacosgrove](#)

The higher rates for second properties will need to be in line with England.

Why the contribution is important?

If the higher rate for second properties you run the risk of a high influx of BTL investors snapping up Welsh properties, making the market more difficult for first time buyers

Seller Stamp Duty

by [DaveKing](#)

I think stamp duty should only be paid on the net increase in property value.

Why the contribution is important?

This would increase supply of property on the market and help the labour force be more mobile as the cost of downsizing or moving to a similar home would be reduced. I would hope that the increase in transactions might offset the fall in stamp duty per purchase.

Reduced Fees for Welsh Speakers

by [chris272](#)

A reduced land tax for those that speak welsh to encourage greater take up of the language

Why the contribution is important?

more welshy speakers

