

# STATES OF JERSEY



## DRAFT BUDGET STATEMENT 2019 (P.114/2018): FIFTH AMENDMENT

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Lodged au Greffe on 20th November 2018  
by the Corporate Services Scrutiny Panel

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STATES GREFFE

**PAGE 2, PARAGRAPH (a) –**

After the words “as set out in the Budget Statement”, insert the words –

“, except that the estimate of income from taxation during 2019 shall be increased by £174,000 by amending the stamp duty bands and rates in line with the table below –

<b>Transaction value up to:</b>	<b>Proposed Rate:</b>
Does not exceed £300,000	1.5% on value up to £300,000
Exceeds £300,000 but does not exceed £600,000	2% on excess up to £600,000
Exceeds £600,000 but does not exceed £1,000,000	2.5% on excess up to £1,000,000
Exceeds £1,000,000 but does not exceed £3,000,000	6% on excess up to £3,000,000
Exceeds £3,000,000	9.5% on excess

”.

**CORPORATE SERVICES SCRUTINY PANEL**

**Note:** After this amendment, the proposition would read as follows –

**THE STATES are asked to decide whether they are of opinion –**

- (a) to approve, in accordance with the provisions of Article 10(3)(a) of the Public Finances (Jersey) Law 2005, the estimates of income from taxation and duties during 2019 of £757,812,000 as set out in Summary Table A of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty, goods and services tax, stamp duty and land transactions tax, as set out in the Budget Statement, except that the estimate of income from taxation during 2019 shall be increased by £174,000 by amending the stamp duty bands and rates in line with the table below –

<b>Transaction value up to:</b>	<b>Proposed Rate:</b>
Does not exceed £300,000	1.5% on value up to £300,000
Exceeds £300,000 but does not exceed £600,000	2% on excess up to £600,000
Exceeds £600,000 but does not exceed £1,000,000	2.5% on excess up to £1,000,000

<b>Transaction value up to:</b>	<b>Proposed Rate:</b>
Exceeds £1,000,000 but does not exceed £3,000,000	6% on excess up to £3,000,000
Exceeds £3,000,000	9.5% on excess;

- (b) to approve, in accordance with the provisions of Article 10(3)(c) of the Public Finances (Jersey) Law 2005, the appropriation of £20,533,000 in 2019 from the amount appropriated to growth in the Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016 as amended) to the revenue heads of expenditure of those States funded bodies as set out in Summary Table B, noting that these sums incorporate the £9,400,000 growth funding approved by the States in their Act dated 30th November 2017 (as detailed in paragraph (b) of P.90/2017 as amended);
- (c) to approve, in accordance with the provisions of Article 10(3)(d) of the Public Finances (Jersey) Law 2005, a capital head of expenditure for each of the capital projects for States funded bodies to be started or continued in 2019 (other than States trading operations), as set out in the proposed programme of capital projects in Summary Table D, with the net allocation from the Consolidated Fund totalling £32,975,000;
- (d) to approve, in accordance with the provisions of Article 10(3)(e) of the Public Finances (Jersey) Law 2005, each of the capital projects that are scheduled to start during 2019 in the recommended programme of capital projects for each States trading operation, as set out in Summary Table E, that require funds to be drawn from the trading funds in 2019;
- (e) to refer to their Act dated 8th October 2015<sup>1</sup> in which they agreed in accordance with Article 4(2) of the Public Finances (Jersey) Law 2005, that in 2019 a transfer of £50,000,000 would be made from the Consolidated Fund to the Strategic Reserve Fund; and to vary that decision and instead transfer that same amount from the Consolidated Fund to the Stabilisation Fund in 2019, in line with the requirements of Article 4A(1) of the aforementioned Law.

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<sup>1</sup> The decision to transfer monies between the Consolidated Fund and the Strategic Reserve Fund was approved in paragraph (b)(iii) of P.76/2015 as amended (see <https://statesassembly.gov.je/assemblypropositions/2015/p.76-2015.pdf>).

## REPORT

Through this amendment we propose to consolidate and amend stamp duty bands and rates for residential property, creating a simpler stamp duty system and calculation.

The new bands and corresponding rates are set out in the below table –

<b>Transaction value up to:</b>	<b>Proposed Rate:</b>
Does not exceed £300,000	1.5% on value up to £300,000
Exceeds £300,000 but does not exceed £600,000	2% on excess up to £600,000
Exceeds £600,000 but does not exceed £1,000,000	2.5% on excess up to £1,000,000
Exceeds £1,000,000 but does not exceed £3,000,000	6% on excess up to £3,000,000
Exceeds £3,000,000	9.5% on excess.

During the course of our review into the Draft Budget 2019, we identified that Jersey had a high number of stamp duty bands in comparison to other jurisdictions such as the UK, France and Australia, creating a complicated system when calculating the amount payable on a property transaction.

Some property industry professionals<sup>2</sup> who submitted evidence to our review considered that a simplification of the stamp duty system by the reduction of bands would be beneficial to purchasers on the market, making it simpler and more transparent.

The draft Budget extends the first-time buyer threshold to £500,000. Our particular concern is the current state of the market for first-time buyers wishing to trade up to their next property. We are concerned that, in the middle of the market, from £600,000 to £1 million, individuals are choosing not to upsize, which is causing the market to stagnate. Our amendment reduces the stamp duty for individuals and families wanting to purchase a family home under £1 million who do not qualify for either first-time buyer relief or stamp duty mortgage relief.

In simplifying the stamp duty bands, we recognise that this will mean that some purchasers will benefit and others will lose out. Purchasers of property above £1 million will pay more in stamp duty; however, purchasers of property between £600,000 and £1 million will pay less. All purchasers will lose the benefit of the first £50,000 of the purchase being subject to stamp duty at 0.5% (although this does not impact on first-time buyers) *see* Graphs 1 and 2 in the attached **Appendix**.

If the Panel's amendment is adopted, the Minister for Treasury and Resources will bring forward amendments to the Draft Finance (2019 Budget) (Jersey) Law 201-[\(P.130/2018\)](#) to put this into effect. The amendments will introduce the revised stamp duty bands and corresponding rates, and will also adjust the calculation of first-time buyer tapering relief, in line with the usual Treasury method for tapering.

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<sup>2</sup> Submissions received from [Broadlands Estate Agents](#) and [Skipton Mortgage Centre](#)

**Financial and manpower implications**

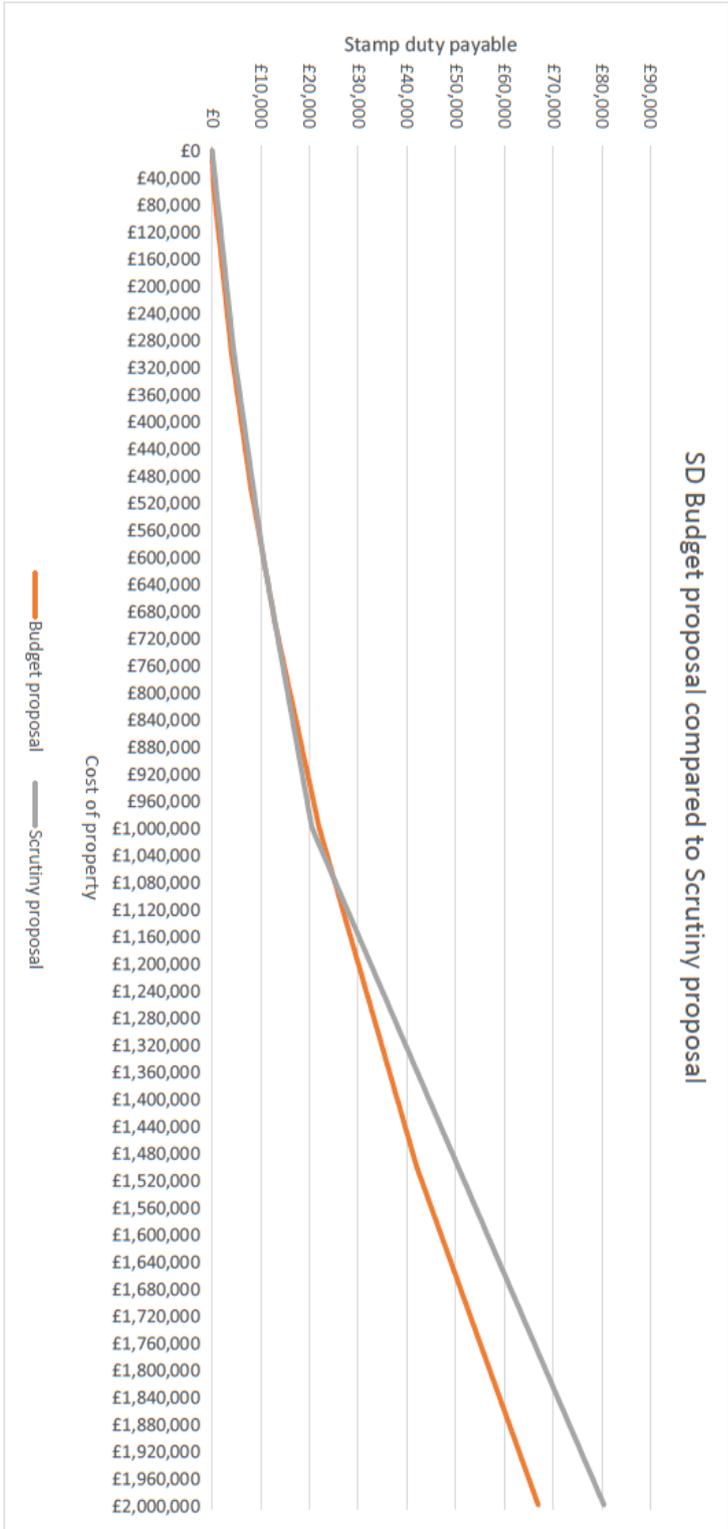
We have been advised by the States Treasury and Exchequer Department that our amendment would raise an additional £174,000 in stamp duty revenue (*see* Table 1 in the attached Appendix for full breakdown).

There are no manpower implications for the States arising from the adoption of this amendment.

APPENDIX

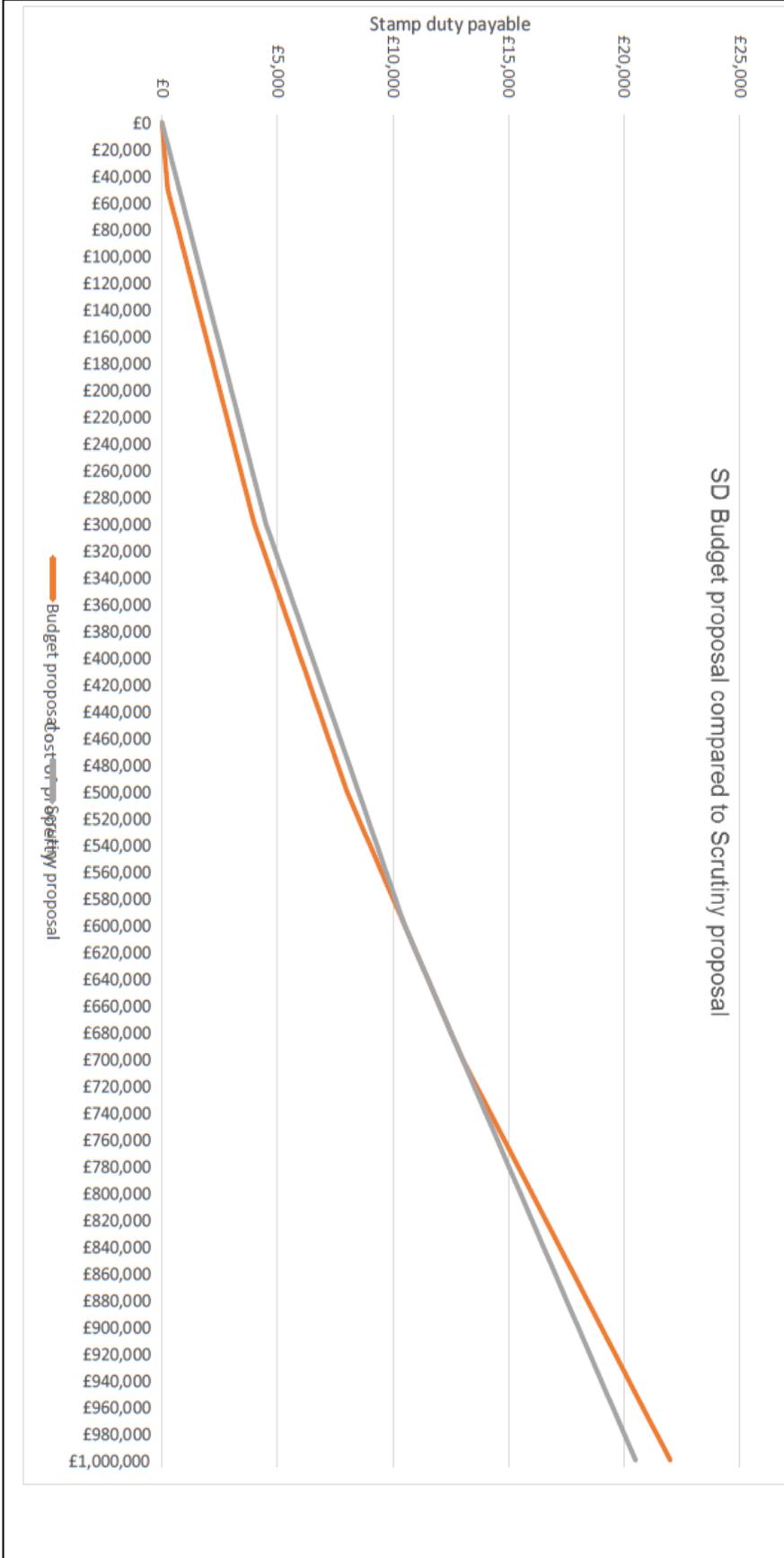
Graph 1

Compares the amount of SD/LTT which will be payable under the Budget proposal and the proposal by the Corporate Services Panel (transaction up to £2.0m).



**Graph 2**

**Compares the amount of SD/LTT which will be payable under the Budget proposal and the proposal by the Corporate Services Panel (transaction up to £1.0m).**



**Table 1 (Figure 16, p.45 updated)**

<b>Measure</b>	<b>(Cost)/ Saving £'000</b>	<b>(Cost)/Saving versus forecast 2019 £'000</b>	<b>(Cost)/Saving versus forecast 2020 £'000</b>
Abolish stamp duty on mortgages for properties below £600,000, and have tapered relief for mortgages on properties valued between £600,000 and £700,000	(989)		
Extend the First Time Buyer threshold to £500,000	(268)		
Raise all standard rates by 0.5% on residential property valued above £500,000	1,296	39	39
<i>Change Stamp Duty bands and rates as per Corporate Services SP amendment</i>	1,470	213	213
<b><i>Difference v forecast</i></b>		<b>174</b>	<b>174</b>