

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2019 (P.114/2018): FIFTH AMENDMENT (P.114/2018 Amd.(5)) – COMMENTS

**Presented to the States on 30th November 2018
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this amendment and encourages States Members to vote against it.

Note that references to “stamp duty” throughout this document refer to stamp duty and land transactions tax.

The Council of Ministers is very grateful to the Corporate Services Scrutiny Panel (“CSSP”) for the time they have taken to review the proposed changes to stamp duty set out in the Draft Budget Statement 2019 and for bringing forward an alternative proposal for debate.

The amendment proposed by the CSSP would consolidate the stamp duty bands and rates for residential property. Under the proposal the number of bands and rates would be reduced from 10 to 5.

As a consequence of the changes to the bands and rates, the tapering calculation for first-time buyers (“FTB”) has been amended to avoid a “cliff edge” between the standard rate calculation under the CSSP’s proposal and the FTB rate. This amendment to the tapering calculation is in line with recommended policy.

The CSSP advance their proposal on the basis that:

1. Reducing the number of bands will simplify the stamp duty regime; and
2. The changes to the rates will reduce the burden of stamp duty in the “middle market” for those people “trading up” or those wish to purchase a family home in this price range.

The CSSP proposal would vary the stamp duty payable on residential property transactions when compared with the Budget 2019 proposal. The variance is either positive or negative, depending on the value of the transaction, as set out in Table 1 below.

Graph 1 (**Appendix A**) provides a comparison of the CSSP proposal against the Budget 2019 proposal.

Table 1: Impact of CSSP proposal compared with the Budget 2019 proposal

Transaction range	Stamp duty payable on residential property transactions
Below c.£550k	Increases
Between c.£550k and c.£1.27m	Decreases
Above c.£1.27m	Increases
First time buyer below £450k	No change
First time buyer above £450k up to £500k	Increases

The aim of Budget 2019 stamp duty package was to introduce 2 targeted stamp duty measures that would help FTBs and those with mortgages on properties costing up to £700k. To fund these measures and ensure they were cost neutral, standard stamp duty rates above £500k are proposed to rise by 0.5 percentage points. Non-FTBs purchasing properties less than £500k would not be impacted by the Budget proposal and all buyers of property costing up to £700k with a mortgage would benefit from the abolition/reduction in stamp duty on mortgages.

In proposing her Budget stamp duty package, the Minister for Treasury and Resources was focused on supporting the government’s commitment set out in the Common Strategic Policy (“CSP”) to:

“..reduce income inequality and improve the standard of living by improving the quality and affordability of housing...”.

While the Council of Ministers understands that the CSSP amendment is aimed at reducing stamp duty for purchasers between £550k and £1.27 million, it notes that the amendment would also increase the stamp duty payable by:

1. Non-FTBs with transactions below £550k (as well as those above £1.27 million); and
2. FTBs with transactions ranging between £450k and £500k.

Example 1: Non-FTB downsizing to a 1 bedroom flat worth £250k

Stamp duty payable		
Budget proposal	CSSP proposal	Additional stamp duty payable
£3,250	£3,750	£500

Example 2: Non-FTB upsizing from 1 bedroom flat to 2 bedroom house worth £510k

Stamp duty payable		
Budget proposal	CSSP proposal	Additional stamp duty payable
£8,300	£8,700	£400

The Council of Ministers is of the view that these increases at the lower end of the market are counter intuitive and conflict with the CSP priorities.

Simplification

While it is correct that the current stamp duty regime contains a number of bands and rates, the legislation¹ which underpins this regime sets out the liability for any transaction clearly. A purchaser can identify the band within which their transaction falls and an appropriate formula applies for the calculation of the stamp duty on that transaction.

¹ Schedule 1 of the [Stamp Duty and Fees \(Jersey\) Law 1998](#) and Article 2 of the Schedules to the [Taxation \(Land Transactions\) \(Jersey\) Law 2009](#)

Alternatively, there are a number of online stamp duty calculators published on the websites of legal advisers on the Island. The vast majority of people purchasing property will use these stamp duty calculators or will rely on the professionals they have engaged to deal with their property purchase.

Correspondingly the majority of property purchasers do not need to engage directly with how their stamp duty is calculated, they entrust this to professionals who are clearly able to cope with the calculation irrespective of the number of bands/rates, and the purchaser's focus is instead on the amount of stamp duty they need pay.

Conclusion

The Council of Ministers appreciates that the challenges facing the housing market on the Island are complex and multi-faceted. It also is understood that CSSP are committed to addressing affordability issues for “purchasers of property between £600k and £1 million”. The Council of Ministers is of the view that any further changes to stamp duty are best addressed as part of the work of the Policy Development Board which:

“ .. will take a long-term view of how we can create sustainable and affordable housing provision for the next generation to meet the aspirations of our young people.”

On this basis, the Council of Ministers does not support the amendments to stamp duty proposed by CSSP.

Appendix A

Graph 1 provides a comparison of the CSSP proposal against the Budget 2019 proposal

