

Welsh Government Public consultation on Land Transaction Tax (LTT) reliefs

Response from Propertymark

May 2024

Background

1. Propertymark is the UK's leading professional body of property agents, with nearly 18,000 members representing over 12,800 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Overview

2. The Welsh Government opened a consultation on proposals to abolish land transaction tax (LTT) multiple-dwellings relief, and to extend an existing LTT relief to Welsh local authorities when purchasing property for social housing purposes. The Welsh Government is also interested in views on the option of amending the rules related to the purchase of 6 or more dwellings in a single transaction, and options to review or amend other LTT reliefs.

Questions

The proposal to abolish MDR

Question 1.1 Do you agree the proposal to abolish LTT MDR set out in this consultation aligns with the Welsh Government's tax principles?

3. We disagree that the proposal to abolish LTT MDR set out in this consultation aligns with the Welsh Government's tax principles. We believe abolishing LTT MDR will have a negative impact on the future levels of supply within the private rented sector in Wales and will subsequently have a negative impact on vulnerable and low waged people looking to gain housing accommodation. Accordingly, we believe the proposal is in contrast with the Well Being of Future Generations (Wales) Act 2015¹ goal of creating a more equal Wales. We will outline the impact in more detail throughout this consultation response.

Question 1.2 Do you think the abolition of LTT MDR will negatively impact the private rented sector in Wales?

¹ <https://www.legislation.gov.uk/anaw/2015/2/contents/enacted>

4. We think the proposal may have some negative impact on the PRS in Wales. We have three points to raise:

- Firstly, we recognise that the UK Government announced in the Spring Budget on the 6 March 2024 to abolish Stamp Duty Land Tax (SDLT) MDR in England from 1 June 2024. On the one hand, we acknowledge that this will result in approximately £8m being reduced from the Welsh Block Grant. However, we see this as an opportunity for the Welsh Government to take a different course of action than the UK Government and encourage investment in Wales to boost housing supply in Wales and improve housing options especially for the most vulnerable. We would recommend that any decision to abolish MDR should not be taken in isolation and that consideration should also be given to other policy initiatives that could further impact supply within the PRS. Further challenges could impact landlords in Wales over proposals to implement rent controls as part of the Welsh Government's White Paper on Fair Rent and Adequate Housing². Rent controls are not being considered by the UK Government for England and consequently we are concerned about the cumulative impact of abolishing relief and other policies that will reduce landlord's yields. Analysis from the UK Government concluded that only 32% of businesses buying property to let in the PRS said the relief had an important influence on their decision to purchase and only 45% were aware of MDR before making a purchase decision.³ However, if the Welsh Government not only maintained MDR, but actively promoted it, the impact could be increased supply in the PRS and potentially reduced rents for contract holders in Wales.
- Secondly, we believe that abolishing the relief will offer little financial advantage for the Welsh Government with an overall cost of £8m being estimated to be reduced from the Welsh Block Grant. The £8m saved from abolishing the relief could be lost by increased costs in reducing supply and the potential impact on the costs of homelessness.
- Thirdly, we are concerned about local and sub-regional impacts of reducing MDR in some areas of Wales, which we believe will be disproportionately impacted. According to Alma Economics, 70,754 landlords (70%) only have one property in Wales.⁴ While on the one hand it appears that relief only serves a small proportion of landlords, the research from Alma

² [Written Statement: The Launch of a Green Paper Call for Evidence on Housing Adequacy and Fair Rents \(6 June 2023\) | GOV.WALES](#)

³ [Stamp Duty Land Tax: Mixed-Property Purchases and Multiple Dwellings Relief - summary of responses - GOV.UK \(www.gov.uk\)](#)

⁴ [Data mapping and visualisation on the housing rental market in Wales \(gov.wales\)](#)

Economics found that landlords with larger portfolios own 30% of the total housing stock in Cardiff and 25% in Swansea. There are two areas of Wales where affordable housing options are in most critical supply and any policy initiatives that further constrict future investment and supply in the PRS would be concerning especially in these areas.

Question 1.3 Do you think the abolition of LTT MDR will negatively impact any others in Wales?

5. We have suggested that any proposals to abolish MDR in Wales could have an impact on future levels of investment in private rental property in Wales. We have further argued that a potential reduction in supply would adversely impact the most vulnerable and low waged people looking to gain access to the PRS. Given the contribution landlords and property agents provide to the Welsh economy in terms of local supply chains, buildings and repairs and other services, any reduction in supply would likely impact local economies. We would recommend that the Welsh Government conducts analysis on the impact abolishing MDR would have on both the Welsh and local economies and the elasticity in property investment from landlords.

Transactions involving 6 or more dwellings

Question 2.1 Do you agree the proposal to abolish the 6 dwellings rule, alongside the abolition of LTT MDR, would align with the Welsh Government's tax principles?

6. We disagree with the proposal to abolish the 6 dwellings rule, alongside the abolition of LTT MDR, would align with the Welsh Government's tax principles. As with our response to question 1.1, the proposals may appear to align with the Welsh Government's tax principles. However, we are concerned about the potential unintended consequences. Conversations we have had with local authorities across Wales and indeed with our members suggest that supply in the PRS in Wales is not keeping up with demand. Any further disincentive to invest in the PRS would be at the detriment of the most vulnerable tenants in Wales and will have a negative impact on the Well Being of Future Generations Act goal of creating a more equal Wales.

Question 2.2 Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would discourage or prevent buyers from entering into multiple-dwelling transactions?

7. we believe that the 6-dwelling rule has greater importance to nations such as Wales (and in post industrial regions in England such as the North East and North West), where property values are lower and there is less yield on multiple purchases.

Question 2.3 Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would negatively impact the private rented sector in Wales?

8. We think the abolition of the 6 dwellings rule alongside the abolition of LTT MDR will have a negative impact on the PRS in Wales. Our position paper on the *Impact tax changes have had on the PRS*⁵ calls on the UK Government and the devolved nations to review all property tax on landlords. Perhaps the biggest impact on the supply of homes in the PRS, is the UK Government's decision to phase out Mortgage Interest Relief and other tax deductibles as part of Section 24 of the Finance Act 2015⁶ While the majority of tax levers continue to be within the competence of the UK Government, we strongly recommend that the Welsh Government reduces the 1% increase on Land Transaction Tax for all bands on additional homes to encourage further investment in the PRS. Accordingly, we believe to further stimulate supply at this critical time during a shortage of accommodation MDR and the 6 dwelling rule should remain.

Question 2.4 Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would negatively impact others in Wales?

9. We have already throughout this consultation response, made the synergy between taxation policy and the impact it has on landlords remaining in the sector, landlords increasing their portfolios and new landlords being incentivised to join the market. The cost-of-living crisis has impacted landlords as well as tenants. The current Bank of England base rate remains at 5.2%⁷ this has made mortgage repayments costly for landlords with the costs of repairs and maintenance remaining equally high. Ultimately, any regressive taxation policy towards landlords will fundamentally result in them leaving the market or not being incentivised to invest. Sadly, it will be the most vulnerable tenants who are impacted with reduced affordable housing options. The unintended consequences could also include rents increasing for property that remains in the sector and for remaining landlords being more cautious towards who they let to and favouring more affluent and professional tenants.

Question 3.1 Do you agree the proposal to extend LTT relief to Welsh LAs when purchasing property for use in social housing aligns with the Welsh Government's tax principles?

⁵ <https://www.propertymark.co.uk/resource/impact-of-tax-changes-on-the-private-rented-sector.html>

⁶ [Finance \(No. 2\) Act 2015 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2015/2)

⁷ [What are interest rates? | Bank of England](https://www.bankofengland.co.uk/interest-rates/)

10. We agree that the proposal to extend LTT relief to Welsh LAs when purchasing property for use in social housing aligns with the Welsh Government's tax principles. Ultimately, more social and affordable housing is required to support the housing needs of Wales. We note that most local authorities have stock transferred their housing stock to Registered Social Housing Providers. However, many local authorities in Wales have ambitious plans to build housing and have produced business plans to bring properties up to WHQS and maintain that standard from their own resources.

Q3.2 Do you agree that the current rules should be amended to provide broadly the same relief to Welsh LAs currently provided to registered social landlords?

11. We agree that the current rules should be amended to provide broadly the same relief to Welsh LAs currently provided to registered social landlords. However, this is providing the same incentives can be accessed by the PRS.

Q3.3 Do you agree that the impact outlined above would occur?

12. We agree.

Q3.4 Do you think the proposal to extend LTT relief to Welsh LAs when purchasing property for use in social housing would negatively impact anyone in Wales?

13. We do not foresee any groups within Wales being negatively impacted by this proposal providing parity is achieved across both the social and private sector.

Q3.5 Would the change described in consultation issue 3 be beneficial in terms of supporting housing plans for your local authority?

14. This question is not applicable to Propertymark.

Q4. With the Welsh Government's aims and objectives in mind, are there other LTT rules, including reliefs, which you feel should be considered for review, for instance to support the Welsh Government's housing commitments?

15. Yes we think there are two areas involving LTT that should be considered for review to support the Welsh Government's housing commitments Firstly, the Welsh Government should consider reducing higher rates of LTT on residential property. In order to stimulate the supply within the PRS, and ultimately to support the shortage of social housing, the Welsh Government must reduce the 1% increase across all bands on additional homes to encourage further investment in the PRS. Secondly, the Welsh Government should use its influence to engage with the UK Government to highlight the impact property taxes such as the phasing out of Mortgage Interest Relief has had on supply within the Welsh PRS and call for a reversal.

Q 5. The Welsh Language

16. We do not think that taxation policy will have any negative or positive impact on the Welsh language and accordingly do not have any further comments on this section.

Q 6. Other comments

17. We would like to thank the Welsh Government for the opportunity to outline our views on this important policy area. We would welcome further engagement with the Welsh Government and we would be delighted to facilitate further engagement between the Welsh Government and our membership in a roundtable on this matter or any other related policy areas.