

Welsh Revenue Authority Land Transaction Tax Higher Residential Rates: proposals to amend the refund and exception rules

Consultation response from Propertymark

March 2024

Background

1. Propertymark is the UK's leading professional body for estate and letting agents, property inventory service providers, commercial agents, auctioneers and valuers, comprising over 17,800 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.

Consultation – overview

2. The Welsh Revenue Authority are consulting on proposals to amend the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017. The amendments will extend the current Land Transaction Tax (LTT) three-year refund and exception periods for taxpayers where the sale of a former main residence was prevented owing to emergency restrictions, and/or where the sale of a former main residence was impeded due to issues related to fire safety defects.

Questions

Q1.1 Do you agree that, in general terms, the law should be changed to offer additional assistance to eligible taxpayers?

3. Propertymark strongly agrees and supports the proposed new regulations to extend the Land Transaction Tax three-year refund and exception periods for taxpayers in the specified circumstances, to claim refunds, or to claim exception from liability to pay, the LTT higher residential rates portion. These specific circumstances include where the sale of a former main residence was prevented from ownership due to emergency restrictions and where the sale of a former main residence was impeded due to issues related to fire safety defects.

Q1.2 Do you think this measure will in general terms have, or potentially will have, positive, negative or no impact on you, or on those you advise?

4. Propertymark represents the interests of property agents including lettings agents, estate agents, valuers, auctioneers and property inventory service providers. We think the proposed measure will have a positive impact on consumers involved in the purchasing of property but chiefly homebuyers. This in turn will have a positive impact on estate agents and the wider housing sector in Wales. Overall, we think that the proposals will offer greater fairness to consumers impacted by circumstances outside of their control and to allow them the opportunity to access exemptions.

Q2.1 Do you agree that transactions impeded by fire safety defects should be treated in this way?

5. We strongly agree that for both transactions in purchase before sale and sale before purchase impeded by fire safety defects should be treated in this way and allow the ability to claim a refund beyond the three-year period. However, in cases relating to fire safety defects, we believe that the exemption should be capped at five years as we believe that is sufficient time to complete fire safety defects.

Q2.2 Do you agree that transactions prevented by emergency restrictions should be treated in this way?

We strongly disagree. While on the one hand we think that transactions prevented by emergency restrictions should be treated this way, we also believe the proposed extensions should be included for property transactions completed since 2020 and during the period of the Covid-19 pandemic when emergency measures were in place. We dispute that when the housing market reopened in July 2020 and 1 April 2021, which was the first point at which the three-year periods could have ended, there was insufficient time for housing transactions to be completed mainly due to backlogs in local authority searches and conveyancing delays. During this period there was significant disruption to the housing market with the Welsh Government initially only allowing people to move if it was essential to do so and could not be postponed. In May 2020, it was reported by Zoopla that an estimated 400,000 property transactions stalled in the UK due to the coronavirus pandemic.¹ Unlike other parts of the UK, the Welsh Government then introduced a policy of encouraging virtual viewings in the first instance

¹ <https://www.zoopla.co.uk/press/releases/373000-property-purchases-worth-82bn-stalled-due-to-covid19-finds-zoopla-uk-cities-house-price-index/>

and physical viewings of empty property only. This included preventing mortgage surveys from taking place at occupied properties during the lockdown period.

Q2.3 Do you think this aspect of the new legislation will have, or potentially will have, positive impact, negative impact or no impact on you, or on those you advise?

6. We believe that this will have a largely positive impact on property agents and consumers. However, as we stated in the previous response, we believe the proposals should extend to emergency measures during 2020.

Q3.1 Do you agree that the new legislation should make this distinction between SBP (Sale Before Purchase) and PBS (Purchase Before Sale) scenarios?

Q3.2 Do you think this aspect of the new legislation will have, or potentially will have, positive, negative or no impact on you, or on those you advise?

7. We disagree with the proposal to make the distinction between SBP and PBS scenarios. We believe to make this distinction would be overly complex and confusing for consumers. However, as we have said in our previous response, exemptions for fire safety defects should be capped at five years, with no distinction between SBP or PBS.

Q4.1 Do you agree that the new regulations will provide benefit to taxpayers?

8. We strongly agree that the new regulations it will provide a significantly benefit to consumers who are impacted.

Q4.2 Do you agree that the new regulations will increase cost to you?

Q4.3 Do you agree that the benefits of the new regulations will justify the cost to you?

9. We think that in some cases the new regulations could slow down housing transactions that are impacted and could subsequently incur some additional costs as transactions take longer to complete for estate agents.

Q5 5. What, in your opinion, would be the likely effects of the new legislation on the Welsh language?

10. We do not think the Welsh language will be adversely impacted in anyway from the proposals.

Q6.1 In your opinion, could the new legislation be formulated or changed so as to: 6.1, have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English;

11. We do not have any further comments.

Q6.2 or to mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

12. We do not have any further comments.

Q7 Other comments

13. We are very grateful for the Welsh Revenue Authority in giving us the opportunity to outline our views on this consultation proposal. Should the WRA wish to further engage with our membership, then we would be very happy to facilitate.