



HM Revenue
& Customs

Knowledge, Analysis, and Intelligence (KAI)

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KAI – Tax Gaps and Indirect Taxes

Preliminary Assessment of the 2014 Residential SDLT Slice Reforms

Introduction

At Autumn Statement 2014 the Chancellor announced a major reform to Stamp Duty Land Tax on residential property transactions, taking it from a 'slab' system to a 'slice' system. Here we present preliminary analysis of the reforms.

Regional breakdown of average savings – comparing pre and post reform residential Stamp Duty Land Tax (SDLT):

Region/Country	Price of an average house (£ ONS estimate Dec 2015)	Change in SDLT liabilities for an average house (£)	Total Estimated change in SDLT liabilities (£)
North East	£155,000	-£900	-£24,000,000
North West	£182,000	-£700	-£90,000,000
Yorks & Humberside	£183,000	-£700	-£58,000,000
East Midlands	£198,000	-£500	-£74,000,000
West Midlands	£207,000	-£400	-£83,000,000
East of England	£315,000	-£3,700	-£161,000,000
London	£536,000	-£4,600	£264,000,000
South East	£365,000	-£2,700	-£234,000,000
South West	£261,000	-£4,800	-£131,000,000
Wales	£175,000	-£800	-£38,000,000
Northern Ireland	£148,000	-£1,000	-£10,000,000
Scotland ¹	£193,000 ¹		-£18,000,000
UK	£288,000	-£4,200	-£657,000,000

SDLT revenue from high-value residential transactions:

	Year prior to AS 2014 changes	Year following the AS 2014 changes	Change
Transactions above £1m	18,700	18,700	flat
SDLT receipts for transactions above £1m	£2.14bn	£2.46bn	+15%
Transactions above £2m	4,600	4,300	-7%
SDLT receipts for transactions above £2m	£1.18bn	£1.38bn	+16%

¹ From 1 April 2015 SDLT in Scotland was replaced by the devolved Land and Buildings Transaction Tax system. The reduction in SDLT liabilities covers Scotland for the period that SDLT remained liable between 4 December 2014 and 31 March 2015.

Data, methods and interpretation:

- These estimates are based on a snapshot of the 'live' HMRC administrative data. They are preliminary estimates which are liable to change as more data become available. Geographic estimates are based on the transactions that were completed between 4 December 2014 to 3 December 2015. The high value yield estimates are drawn from 1 December 2014 to 30 November 2015 based on the date when the SDLT tax certificate was issued. This means that the two estimates are not entirely comparable. It should also be noted that they cover a time period outside of HMRC's routine National Statistics publications. Only residential transactions over £40,000 have been included.
- The total estimate of SDLT liabilities are based on calculating pre and post reform SDLT using only the observed price distribution of transactions in the period in question. It is not known what the price distribution of transactions would have been in the absence of the reform. There are numerous factors that influence the housing market other than the tax system (such as housing supply and demand, mortgage availability, expectations of house price changes) that could cause the price distribution and thus total estimated SDLT liabilities in each region to vary.
- The average price of a house is the mix-adjusted house price as estimated by the Office for National Statistics (ONS). This estimate reflects the stock of housing within a region and accounts for the frequency of transactions and the occurrence of outlier transactions. This is the standard statistical practice for reporting house prices.
- The use of the ONS mix-adjusted house price means it is not possible to divide the total liabilities by the average price to calculate the number of transactions in each region. HMRC routinely publish information on regional transactions as part of their National Statistics series, though note that the HMRC National Statistics series are based on calendar or financial years, rather than the above period, so will not be fully comparable.
- Whilst the average property in London saw a decrease in SDLT, London as a whole paid more SDLT. The main reason for this is the relatively high volume of properties which are worth over £1 million and which ended up paying more under the new system.
- The South East saw the largest saving although it had a relatively higher average property price, as large number of properties fall between £125,000 and £1 million and thus contribute to an overall estimated saving. Other regions like the North East, Wales and Northern Ireland saved less as they have fewer property transactions and many of these transactions pay no or very little SDLT in the first place.
- Almost 85% of residential property transactions are for people's main residential home (2014-15 data).
- Under the old rules the tax rate was applied to the full amount of the property price. So for instance if you bought a house for £185,000, you would have had to pay 1% tax on the full amount – a total of £1,850. Under the new rules tax is only paid on the price of the property within the relevant tax band. In this instance the tax is 2% of the value of the house over £125,000. The new tax liability in this case would be £1,200.

Contact point:

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