

Opposition policy costing – Non-resident SDLT – Labour Party

Description of policy					
<p>Labour would ‘raise the stamp duty surcharge on overseas buyers’. <i>Rachel Reeves: ‘And because, conference, it is time we built the homes our young people need; We will raise the stamp duty surcharge on overseas buyers to get Britain building’ (Rachel Reeves, <i>Speech to Labour Party Conference 2023</i>, 9 October 2023, link).</i></p> <p>Labour committed to raising stamp duty for foreign buyers. ‘Labour will raise stamp duty paid by foreign individuals, trusts and companies when they buy UK residential property, helping to reduce speculative pressures in places like London and Manchester’ (National Policy Forum, <i>Final Policy Documents</i>, 15 September 2023, link).</p>					
Additional policy assumptions					
<p>The costing is based on the following assumptions provided by special advisers:</p> <ul style="list-style-type: none"> • Increase of Non-Resident Stamp Duty Land Tax (NRSDLT) surcharge from 2% to 4, 5, 8, and 10 rates on all residential property purchases • Applies across England and Northern Ireland (land transaction taxes are devolved in Scotland and Wales) • No change in scope of NRSDLT • Implementation date of 1 April 2024 • Policy is not pre-announced • The nil rate band for residential properties reverts from £250k to £125k from April 2025 onwards • Standard behavioural assumptions agreed with the OBR when NRSDLT was introduced in 2021 should be used to account for the behavioural impact of the policy. <p>The following section outlines the marginal rates of SDLT by price band for taxpayers subject to NRSDLT, based on the assumptions provided by special advisors above.</p>					
Property or lease premium or transfer value	NRSDLT surcharge				
	2%	4%	5%	8%	10%
Up to £125,000	2%	4%	5%	8%	10%
£125,001-£250,000	2%	4%	5%	8%	10%
£250,001 to £925,000	7%	9%	10%	13%	15%
£925,001 to £1.5 million	12%	14%	15%	18%	20%
£1.5 million+	14%	16%	17%	20%	22%

Assuming no change in scope of NRSDLT, under current policy higher rates of Stamp Duty Land Tax would also be charged at an additional 3% of the purchase price where the purchaser would own more than one home as a result of the transaction or the purchaser is a company.

From 1 April 2025, the marginal rate for transactions between £125,001 and £250,000 will increase by 2 percentage points assuming the nil rate band for residential properties reverts from £250k to £125k from 1 April 2025 onwards.

If the transaction qualifies for First Time Buyers' Relief, then under current policy the marginal rate of SDLT between £250,001 and £425,000 would be 5 percentage points lower. From 1 April 2025, the marginal rate of SDLT between £125,001 and £250,000 would be 2 percentage points lower, and the rate between £250,001 and £300,000 would be 5 percentage points lower. As above, this assumes the nil-rate band for residential properties reverts from £250k to £125k from 1 April 2025 onwards.

Under current policy corporate bodies pay a marginal rate of 15% across all price bands on residential transactions with a purchase price of more than £500,000 which are not relieved from the 15% higher rate change. Assuming no change in scope, the NRSDLT surcharge is applied in addition to this 15% rate.

Additional technical modelling assumptions or judgements required

The tax base (number and value of residential property transactions) is estimated using HMRC's Stamp Duty Land Tax microsimulation model, based on transactions in financial year 2022 to 2023, projected in line with OBR Autumn Statement 2023 forecasts.

The static costing is estimated by applying the pre- and post-policy tax regimes to the tax base described above.

As per the assumption provided by special advisers, standard behavioural assumptions are applied to account for the impact of the policy on prices and volume of transactions based on standard elasticities agreed with the OBR when NRSDLT was introduced in 2021. The costing also includes a standard Block Grant Adjustment for Scotland and Wales in accordance with their respective fiscal frameworks and accounts for price and transaction impacts on Capital Gains Tax and Inheritance Tax, as per the standard methodology. The costing assumes there is no forestalling of SDLT transactions as a result of the policy.

The estimate includes an adjustment for NRSDLT refunds based on the proportion of NRSDLT transactions refunded in outturn data.

The estimate does not include any indirect effects.

Cost/Revenue to the Exchequer over five years

	Revenue (£m)					
Increase NRSDLT surcharge to:	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
4%	0	5	-15	25	20	20
5%	0	-20	-50	10	0	-5
8%	0	-220	-235	-140	-185	-215
10%	0	-445	-415	-315	-390	-445

Comparison with current system (if applicable):	
Other comments (including other Departments consulted):	
<p>The calculations in this costing were carried out by HMRC (KAI).</p> <p>The nature of this costing is uncertain and is driven by assumptions provided by Special Advisers. The key sources of uncertainty in this costing are:</p> <ul style="list-style-type: none"> • The behavioural response of non-resident purchasers impacted by the policy and the application of standard elasticities. As per the assumption provided by special advisers, we have used standard behavioural assumptions/elasticities for this costing in line with the behavioural assumptions/elasticities used when NRSDLT was introduced. Different behavioural assumptions would have a significant impact on the costings. • The degree to which the reduction in purchases by non-residents is displaced by an increase in purchases by residents. • The degree to which the policy impacts residential property prices, and the subsequent impacts on Inheritance Tax and Capital Gains Tax receipts. 	
<i>To be completed by Permanent Secretary's Office</i> Date costing signed off:	25/01/2024
<i>[If applicable]</i> Date revised costing signed off:	