

## **A taxing question:**

Is Stamp Duty Land Tax suffocating the English housing market?

Report for Family Building Society

**November 2017**


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## Foreword

The UK's housing market is a **shambles**. Young people still really want to get on the housing ladder and most can't. Rents charged by landlords from their parents' generation, the "buy to let" generation, add to their burdens.

Of course, fundamentally this is a **supply side issue**. The country's widening demand/supply imbalance, which has gone on for a generation, is why prices are so high. Sorting out this imbalance will inevitably take years, decades.

Part of the supply side could be answered if existing housing were better distributed. Perhaps the greatest impediment to a more dynamic, liquid housing market is the glue known as Stamp Duty Land Tax. Stamp duty is suffocating the market.

- In addition to the burden of saving a deposit, first time buyers now have to find many thousands of pounds in stamp duty, a much greater amount, proportional to after-tax income, than past generations faced.
- Potential downsizers resent paying huge sums to HMRC to move. They can't buy something that costs the same as their original house without spending money on the tax—but can stay where they are for nothing.
- As they are not likely to move significant distances, any offset from increases in value over time are likely to be minor. If you are going to spend on a tax why not spend on a new kitchen instead?
- Equally some may want to move to smaller but similarly priced properties for reasons of convenience or particular facilities. The cost of stamp duty would then become a significant factor in their decision to move or stay where they are.
- Families that want to move decide to extend properties rather than pay a new tax.
- Stamp duty can also be an impediment to social mobility. Why move for a job that might not last, or may be just a short-term career stepping stone, and incur huge expense? Or, if they do move jobs, many people end up with longer commutes, with the result stress on the transport network and themselves. This adds to the economic and productivity challenge facing the country.

Finally, the period since the financial crash has seen record low interest rates. This has led to mortgages being "affordable" by historic standards – around 17.5% of income both for first time buyers and home movers. This factor has also driven prices. Paying stamp duty on an asset that you think may go up is one thing – you may "get it back" through the value increase. As interest rates go up, and mortgage rates go up, prices may weaken. Paying stamp duty on an asset that you think may go down, is even harder to stomach. The glue that is stamp duty may become cement.

One answer would be for the government to cut some people a break – downsizers, family formers or job movers. Better still the government could cut rates for *all* buyers—or even do away with the tax entirely.

These are big issues and will stimulate much debate. That's what this report is intended to do. And the most powerful voices in it are real customers of the Family Building Society. Their words are in this report.

The next question must be "Is anyone in government *really* listening?"

Mark Bogard CEO  
Family Building Society

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# EXECUTIVE SUMMARY

This research looks at how SDLT has changed and its impact on household behaviour; on the housing market; and the national economy.

Key findings:

- Stamp Duty Land Tax raises more than £8 billion per annum for the Treasury, but is a heavy, immediate tax on transactions that contributes to England's dysfunctional housing market.
- Revenues from SDLT have been rising steadily since 2008/09 as a result of increasing house prices, higher tax rates on more expensive properties, and the 3% surcharge imposed in 2016 on investors and second-home buyers. Housing-market transactions on the other hand remain weak: the annual number of transactions fell by more than half after the 2008 crash and in 2016 were still 38% below levels seen in the early 2000s.
- Twenty years ago, buyers of median-priced homes paid less than £1000 in stamp duty and that was true in London, as well as in England overall. Since then SDLT on a median-priced home in England has more than quadrupled, and in London it has gone up by a factor of more than 12. The gap between London and the rest of the country continues to grow.
- Because of higher property values in London and the South East, these regions account for more than  $\frac{2}{3}$  of SDLT revenues, whereas they account for only around 30% of dwellings.
- The tax is highly progressive at least in terms of dwelling values: in 2016/17, a fifth of receipts came from the purchases of properties in the highest tax band, although these properties accounted for well under 1% of transactions.
- Even so, the majority of revenue comes from sales of much more typical homes, particularly in the South East: 58% of revenues were from properties worth between £250,000 and £1 million. Importantly, people paying average house prices in all four southern regions must now pay SDLT, while in London a purchaser must buy a home worth less than  $\frac{1}{3}$  the price of an average flat (and an even smaller fraction for a house) to avoid stamp duty.
- Our survey of customers of the Family Building Society, which has a well established reputation for lending to older borrowers, showed **SDLT was now the second most important influence on their decision whether or not to downsize**. Ten years ago respondents saw it as a much less significant factor.
- Downsizers must write a cheque to HMRC when they buy their new home. They can't buy something that costs the same as their original house without spending money on the tax but can stay where they are for nothing. Many therefore do stay, continuing to live in homes that may be highly unsuitable for their needs and imposing additional costs on health and social services.
- This lack of activity in turn reduces the demand for new housing that suits older households and means there is less choice for those who do want to move. The UK is almost alone in the developed world in having so few retirement communities which can help keep people healthier and connected.

- Respondents with adult children said **SDLT limited their ability to buy without parental help**. SDLT increases the already difficult deposit requirement; in addition, because it makes older households less likely to sell, there are fewer suitable homes on the market. This makes it difficult not only for first-time buyers but also for families and second steppers to get the housing that is best for them.
- SDLT contributes to reduced household mobility. Having bought a home, people are unwilling to move again soon and ‘waste money’ by paying SDLT twice over. This is costly for individual households as they are less likely to take up new job opportunities (or, if they do, may need to commute long distances); it is costly for the economy because it inhibits the efficient allocation of labour, and consumer expenditure and housing investment are lower than they otherwise would be.
- There is near-consensus among economists and policy experts that an annual tax on property or land value or indeed an improved version of council tax could
  - raise at least the same revenue as SDLT,
  - distort the housing market much less, and
  - provide incentives that aligned with housing-policy objectives instead of undermining them.
- Inevitably there would be winners and losers from any tax change, but carefully designed transitional arrangements could mitigate negative effects on individual households. The phased reduction in mortgage interest tax relief over thirty years, and its eventual abolition in 2000, show that sensible tax change is possible. A brave government should at least start the process of shifting taxation away from transactions that are necessary to ensure a well operating housing market.

## Introduction

In one form or another Stamp Duty Land Tax has been a feature of the English taxation system for hundreds of years. It raises significant revenue for the Exchequer, is easy and cheap to administer, and does not affect most taxpayers. However there is increasing concern within policy circles that Stamp Duty Land Tax as currently configured is a major deterrent to housing transactions. The consequential silting up of the property market is making it more difficult for first-time buyers, families seeking larger properties and downsizers, especially in higher-cost areas of the country. The induced sluggishness of the housing market limits labour-market mobility and reduces the consumer expenditure associated with home moves, with knock-on effects for the economy as a whole.

This report examines existing knowledge about the effects of SDLT on the housing market and the wider economy, and presents new survey evidence about the impact of the tax on consumer behaviour. We summarise proposals about how to raise the same amount of tax revenue from property, but without distorting the housing market.

Our research question is:

What household types and geographical areas of England are most affected by Stamp Duty Land Tax as currently configured, and what does this mean for housing transactions, the housing market and the wider economy?

We look in particular at how SDLT affects two subsectors of the market: older potential downsizers and first-time buyers.

The report was commissioned by Family Building Society.

## Methodology

We conducted a desk-based policy, literature and data review to identify what is known about how SDLT, and the various changes in the tax, have affected government revenues and the housing market. The review covered academic as well as professional and 'grey' literature, and looked at relevant international experience with residential property-transaction taxes and fees of various kinds.

We also conducted 15 semi-structured interviews of informed stakeholders in the UK and abroad. To enable interviewees to express their views frankly we have not named individuals in this report. Interviewees included

- Developers and house builders
- Government officials
- Academics
- Estate agents

Finally, we carried out a web-based survey of customers of Family Building Society to explore how SDLT affects the decisions of potential buyers and sellers. Illustrative quotes from interviews and survey respondents appear in boxes in the text.

## The history of SDLT and the current position

SDLT (known until 2003 simply as ‘stamp duty’) is a very old tax, dating to 1694. It applies to commercial property as well as residential; there is also a separate stamp duty on transactions in stocks and shares.

In earlier generations, relatively few home buyers paid SDLT as it was charged only on purchases of more expensive dwellings. For example, in 1968 the average house price in England was £3000<sup>1</sup>, but stamp duty was only payable on purchases above £5,500 and the maximum rate was 1%. Over the last 40 years successive governments revised the system, adding bands (there are now four) and increasing the applicable tax rates. These changes, plus the effects of house-price inflation, transformed SDLT from a 1% tax that few paid into something much more significant. There are currently four rates of tax, from 2% to 12% (first columns of Table 1). The appendix contains historic SDLT rates.

### Slab to slice reform

Historically SDLT was a ‘slab’ tax, with the marginal tax rate applying to the *entire* value of the transaction. This led to serious discontinuities and distortions in the market, as buyers avoided paying prices at or just above the level where a higher rate would apply.

Conservative Chancellor George Osborne, in his 2014 autumn statement, changed this to a so-called ‘slice’ system analogous to income tax, where the marginal rate of tax applies only to that proportion of the transaction that is above a threshold. At the same time he added additional bands to cover the highest-value properties, starting at £925,000 (10%) and £1.5 million (12%). Taken together, the changes meant that buyers of homes costing over £937,000 pay more tax under the revised system, while almost all purchasers of homes costing under that amount—the vast majority of those liable for the tax—now pay less. The so-called slab-to-slice change was widely welcomed as a rational and long-overdue correction.

In the 2014 Autumn Statement Osborne also said that

‘as well as affecting the purchase price of property, the structure of SDLT limits transactions and mobility and incentivises tax avoidance. As house prices have increased, more transactions have been brought into the scope of the tax and of the higher bands, increasing the upfront costs....Government recognises the difficulties this causes, particularly for first-time buyers’ (HM Treasury 2014)

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<sup>1</sup> HM Land Registry UK House Price Index Table 1: Mix-adjusted UK House Price Index - average price by region



The Chancellor's analysis was correct, but these effects were not fundamentally altered by the 2014 change from a slab to a slice system.

**Table 2: 2014 changes to SDLT**

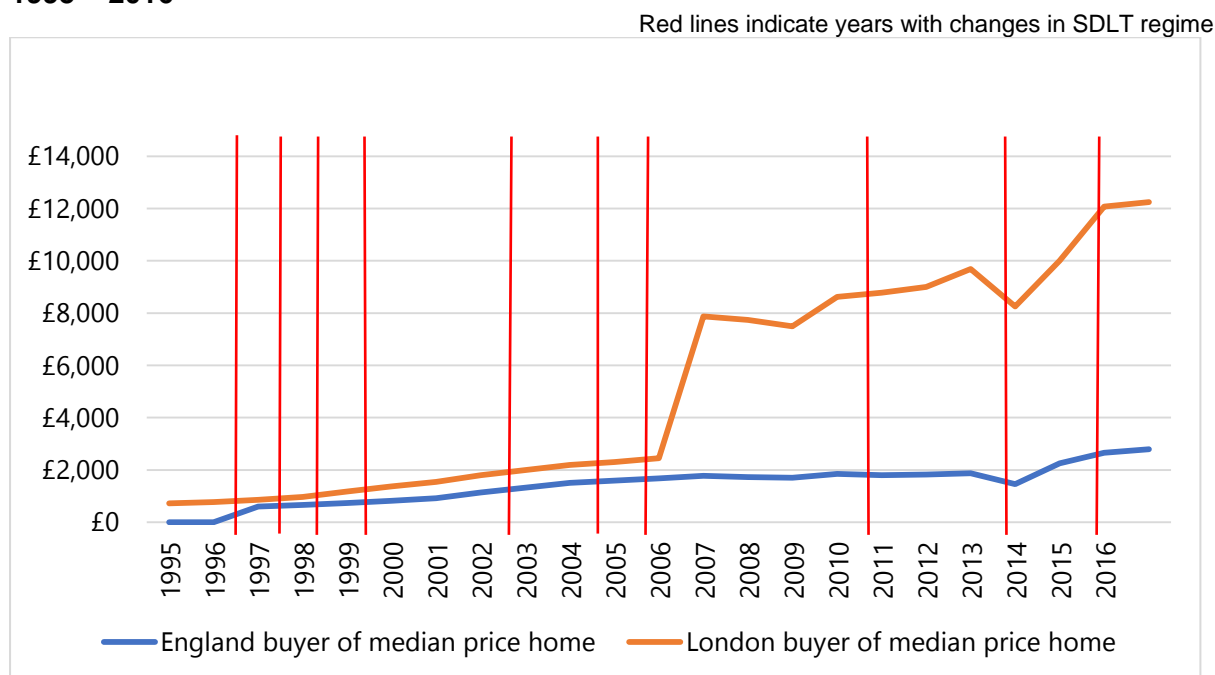
<i>Current (from 2014)</i>		<i>Previous</i>	
<i>Property value</i>	<i>% tax (applied at the margin)</i>	<i>Property value</i>	<i>% tax (applied to entire value)</i>
£0 - £125,000	0	£0 - £125,000	0
£125,001 - £250,000	2	£125,001 - £250,000	1
£250,001 - £925,000	5	£250,001 - £500,000	3
£925,001 - £1,500,000	10	£500,001 - £1,000,000	4
£1,500,001 +	12	£1,000,001-£2,000,000	5
		£2,000,001 +	7

*From 'Stamp duty land tax on residential property' House of Commons Library briefing paper 07050*

## How much would the median buyer pay?

Figure 1 shows the SDLT liability of purchaser of median-price house in England and London, 1995 – 2016 (year to December). Red lines indicate years of changes in SDLT rates or calculation system. Most of the rate increases did not affect the median purchaser when they were instituted, and the 2014 slab to slice change reduced SDLT liability for buyers of median-priced homes in both England and London compared to 2013. However in London the marginal rate of SDLT for the buyer of a median-priced home is now 5%, reflecting the increase in the number of SDLT bands since 1995 (a period when there was only a single rate), the increase in tax rates on higher bands, and the effects of London house-price inflation.

**Figure 1: SDLT liability of buyer of median-price home, England and London 1995 – 2016**

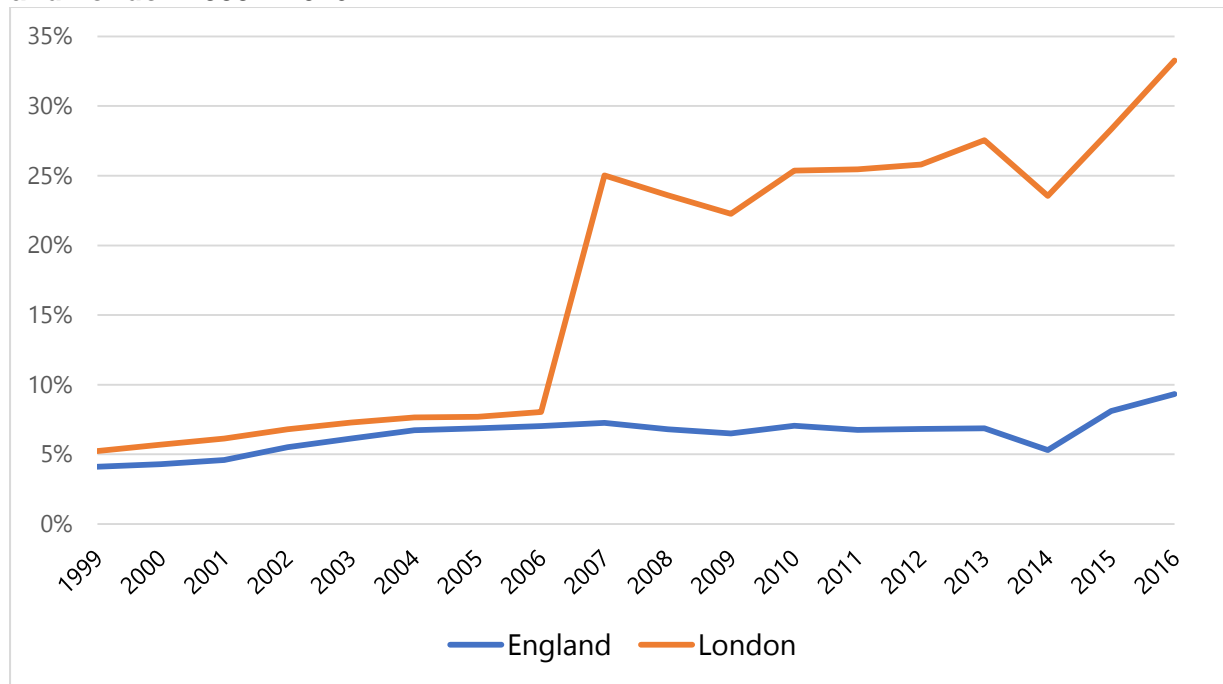


Source: ONS House Price Statistics for Small Areas; LSE London calculations

Presented another way, as a proportion of the median earnings of a full-time employee, the SDLT payable on a typical house remains under 10% of gross annual earnings<sup>2</sup> for England as a whole (although it is now close to breaching that figure). Figure 2 illustrates.

For London however SDLT on a median home now represents more than a third of typical annual earnings, up from 7% as recently as 2006. The proportion increased markedly in 2007 in London because in that year the median house price in the capital reached £262,500, which brought it into the 3% SDLT band and at that time the higher tax rate applied to the entire transaction price.

**Figure 2: SDLT on median home as % of median gross full-time earnings, England and London 1999 – 2016**



Source: ONS House Price Statistics for Small Areas; Annual Survey of Hours and Earnings; LSE London calculations

### Surcharge for investors and second-home buyers

In April 2016 the government instituted a 3% SDLT surcharge for residential purchases by existing home owners. Those affected are mainly buy-to-let landlords and buyers of second homes, though some buyers in other categories are also caught by the rule (for example, parents buying houses with their children or developers acquiring a site that already has a dwelling on it). The stated intention was to increase the availability of homes for first-time buyers by reducing competition from buy-to-let landlords.

'The 3% surcharge hits children who buy a retirement property for their parents, which is quite common.'

*Developer*

<sup>2</sup> As SDLT is paid out of after-tax income the relevant comparator is *net* annual earnings. The figures for SDLT as a proportion of net earnings would be higher than those shown.

Some 19% of residential transactions in England in 2016/17 paid the additional 3% surcharge (HMRC 2017), and the 3% surcharge accounted for 20% of residential SDLT receipts for England in that period. Some proportion of this amount will eventually be refunded to the taxpayers: those who buy a principal home before selling their existing home must pay the surcharge, which is refunded if the first home is sold within three years<sup>3</sup>.

## Stated reasons for reform

Over the long history of SDLT, governments have made changes to the tax for a number of reasons:

- to improve the functioning of the housing market,
- to steer the market,
- to increase the progressiveness of the tax and/or
- to boost revenue.

In 2010, for example, the Government announced a two-year stamp duty land tax relief for first-time buyers of properties worth up to £250,000 (supporting the market), and at the same time introduced an additional 5% band for properties worth over £1m (a revenue-increasing measure to 'offset the cost of this relief and to sustain the public finances in the longer term' [HM Treasury 2010]).

The 2014 slab-to-slice changes were presented as supporting the market through 'a radical reform to residential SDLT that (would) reduce distortions to the housing market and improve the fairness of the tax system'. The Autumn Statement pointed out that 'SDLT will be cut for 98% of people who pay it' (HM Treasury 2014).

By contrast, the 3% surcharge was introduced in 2016 to *steer* the market by giving putative owner-occupiers an advantage over investors or second-home buyers. According to consultation documents,

'The government believes it is right that people should be free to purchase a second home or invest in a buy-to-let property...However, the government is aware that this can impact on other people's ability to get on to the property ladder. Applying higher rates of SDLT to additional residential property purchases is part of the government's commitment to supporting home ownership and first time buyers' (HM Treasury 2016).

'The reforms carried out in April 2016 with the 3% surcharge were meant to cool down the buy to let market. We think people should be able to purchase a buy-to-let property or a second home, but they also then compete with first-time buyers. This leads to price increases or makes it harder for them to find a property. So with the 3% surcharge we offset that a bit.'

*Civil servant*

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<sup>3</sup> Such rebates are not included in the figures quoted.

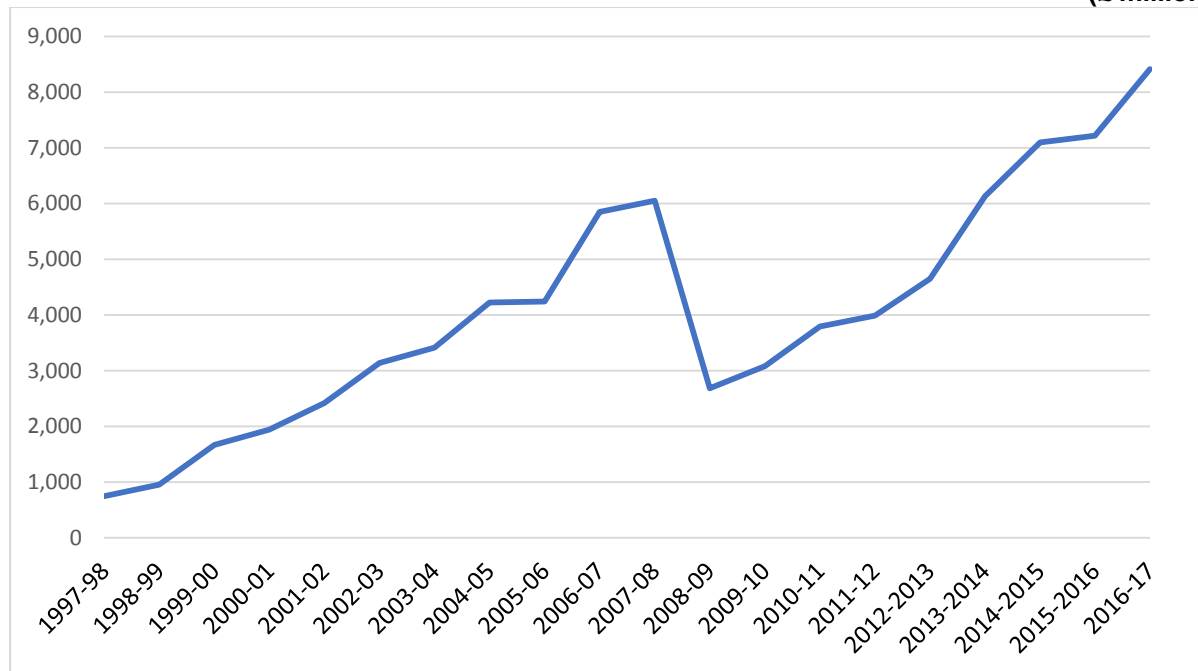
## How much money does it raise?

SDLT on residential property in England raised £8.4 billion in 2016/17. The amount of revenue raised is volatile, reflecting property-market cycles and the regular changes in tax rates (Figure 3). Residential SDLT is an important source of government revenue: it accounted for about 1.3% of HMRC receipts in 2015/16<sup>4</sup>, somewhat less than tobacco duties (1.8%) but more than capital gains tax, inheritance tax or beer duties (1.3%, 0.9% and 0.6% respectively).

'Like most economists I think transactions taxes are abhorrent; the only advantage is that it brings in £8 billion.'

*Finance expert*

**Figure 3: Revenue from SDLT on residential properties in England, 1997/98 – 2016/17 (£ million)**



Source: Annual Stamp Duty Statistics (Property transactions and SDLT receipts - Analysis by type of property and region), HMRC, various years

The government charges SDLT on all purchases of residential property over a low threshold, but at the same time has put in place a number of programmes (e.g. Help to Buy) to support buyers to overcome the barriers to property purchase—one of which is SDLT.

<sup>4</sup> The proportion would be slightly higher if LBTT in Scotland were included. Responsibility was transferred to the Scottish Government in April 2015.

## Who pays the tax? Buyers and sellers; regional and value distributions

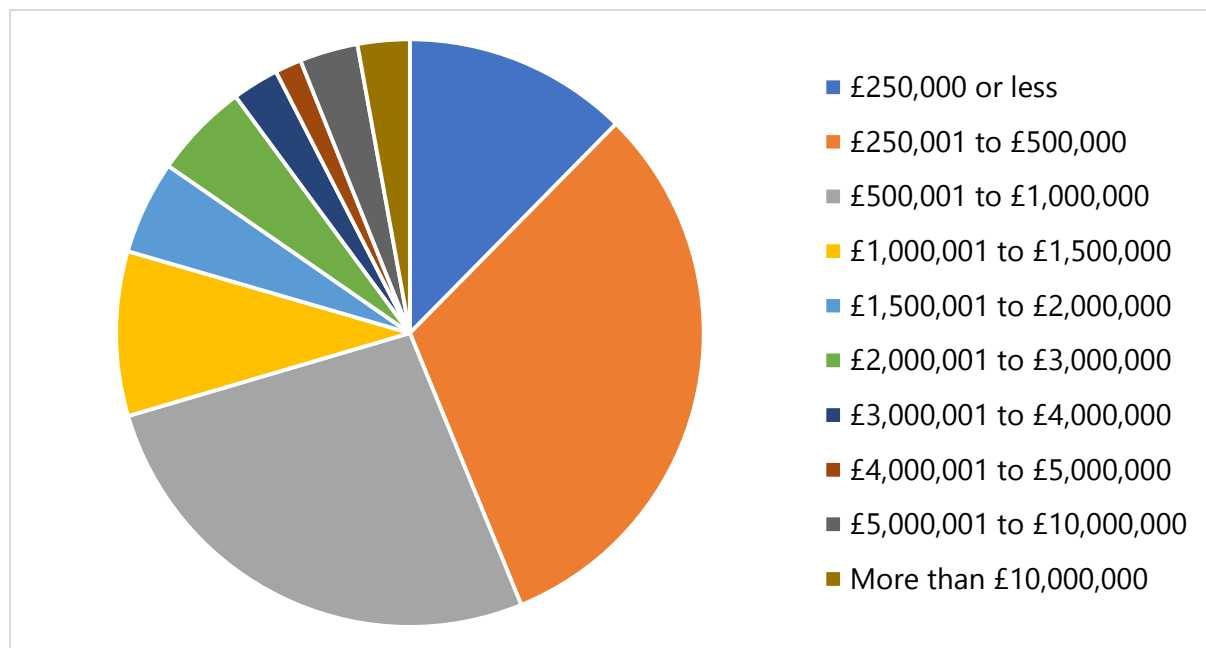
Stamp duty land tax is, in legal terms, paid by the buyer of the property. But economists distinguish between the legal responsibility for tax payment and the *incidence* of the tax—that is taking account of its impact on the price paid by the buyer, and the amount received by the seller. According to Davidoff and Leigh

From a theoretical perspective, inelastic factors bear the economic burden of taxes. Therefore if buyers are more price-inelastic than sellers, then buyers will bear most of the tax burden and house prices will not change much in response to a change in house sales taxes.... Regardless of incidence, theory also predicts that higher taxes...reduce total sales.' (2013, p.396)

Besley et al (2014), who looked at the incidence of transactions taxes (ie who paid them in an economic sense) found that about 60% of the surplus generated by a one-year stamp duty holiday went to buyers. This suggests that effectively buyers pay somewhat more than half the tax. Sellers 'pay' the remaining 40% in the form of receiving less for their property than they otherwise would.

Figure 4 shows SDLT receipts by price band for 2016/17. The majority of SDLT receipts are from homes costing £250,000 to £1 million, although buyers of the most costly homes pay a disproportionately high amount of tax compared to their number. Homes costing over £1 million accounted for 29% of SDLT receipts although they made up only 1.7% of housing transactions.

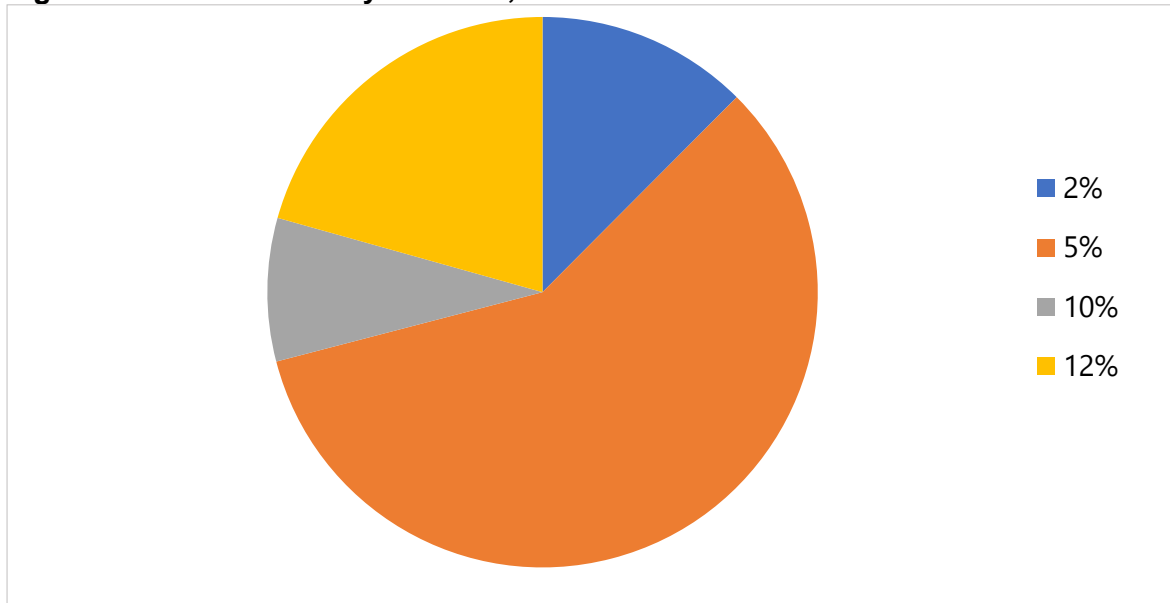
**Figure 4: SDLT receipts by value of property, 2016-17**



Source: SDLT receipts by price band, HMRC, 2017

Figure 5 emphasises the progressive nature of the tax, with 21% of receipts coming from purchases of properties in the very highest tax band—although properties in this tax band were well under 1% of transactions.

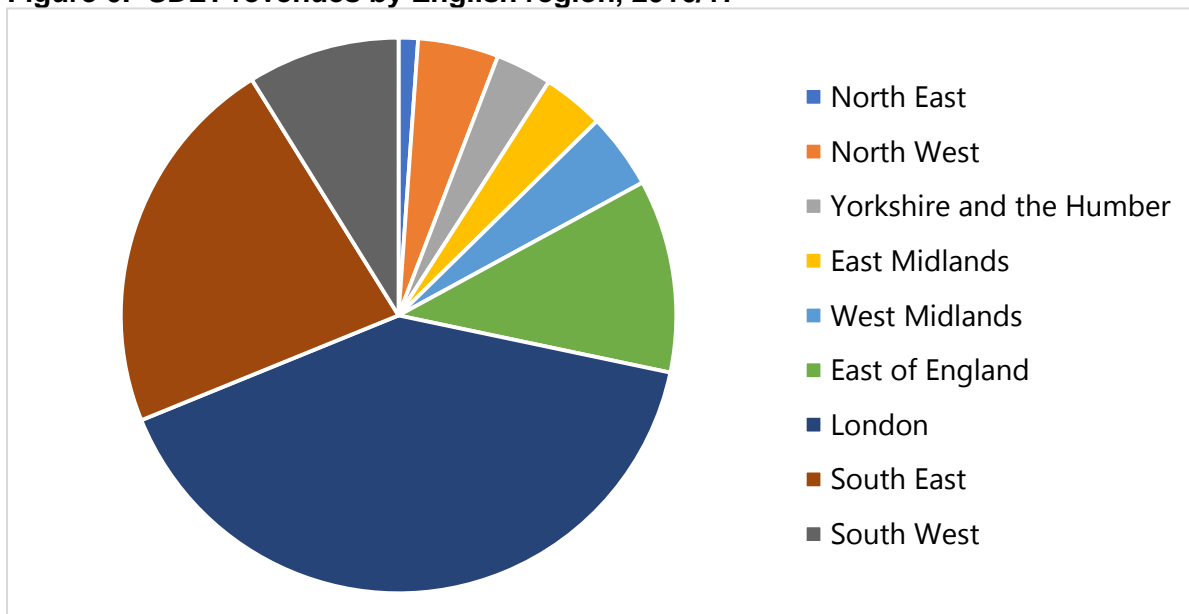
**Figure 5: SDLT revenue by tax band, 2016-17**



Source: LSE London calculations based on SDLT receipts by price band, HMRC, 2016 AND Estimated SDLT receipts from transactions valued at £40,000 or above, Quarterly Stamp Duty Statistics, HMRC, 2017

In the most recent year London, which has 15% of England’s housing stock<sup>5</sup>, accounted for 47% of SDLT revenues, and London and the South East together brought in more than two-thirds of the total amount (Figure 6).

**Figure 6: SDLT revenues by English region, 2016/17**



Source: Annual Stamp Duty Statistics 2016/17, HMRC, 2017

<sup>5</sup> DCLG Live Table 100, Dwelling stock by tenure and district 2016

## Is SDLT a 'good tax'?

Extensive work has been done in the UK and elsewhere on the broad principles of good taxation and specifically on property transfer taxes. According to an authoritative review carried out in 2009 for the Australian Treasury,

Stamp duties are poor taxes. As a tax on transferring land, they discourage land from changing hands to its most valuable use. Stamp duties are also an inequitable way of taxing land and improvements, as the tax falls on those who need to move...Stamp duties on conveyances are inconsistent with the needs of a modern tax system. (Henry et al 2010 p. 247).

The consensus is that transfer taxes are less efficient than other types of property tax because they reduce transactions (Van Ommeren & Van Leuvensteijn 21005; Van Ommeren 2008; Southwood 2017), meaning that some desirable and welfare-enhancing reallocations of the housing stock do not take place. There was consensus among our interviewees that SDLT does reduce transactions, though less agreement about how important it is compared to other factors (including the hassle of moving, the lack of good housing alternatives for older people, and psychological factors).

'Yes, it's a transactions tax so it can be expected to reduce the level of transactions.'

**Civil servant**

'Psychological barriers to moving are high—it's costly and it's hard to build up new friendship groups. It's a difficult decision for anyone to make—so perhaps SDLT is just the final barrier that keeps people in their homes.'

**Academic**

Stamp duty may discourage older owner-occupiers from moving to smaller homes, especially as these smaller homes may well be no cheaper (Wood et al 2012). This results in a less efficient allocation of the housing stock: larger households cannot access these 'locked-in' resources, and the tax system motivates existing owners to remain rather than incentivising mutually welfare-enhancing transactions. This was also recognised by the House of Lords Economic Affairs Committee, which stated in its 2016 report *Building More Homes* that

The weight of evidence suggests that SDLT can deter people from moving to a smaller home, acting as a barrier to making the best use of the homes that we already have. (para 252)

Making housing transactions more expensive may reduce productivity, as the lock-in effect reduces the likelihood that home owners will move to better paying jobs (Van Ommeren 2008). Housing market frictions and inefficiencies can generate labour market rigidities and increase unemployment (van Ewijk and van Leuvensteijn, 2009; Rupert and Wasmer, 2012; Blanchflower and Oswald, 2013).

In the UK, the 2010 Mirrlees Review brought together a high-profile group of international experts to identify the characteristics of a good tax system for a contemporary open developed economy. It was equally unequivocal about stamp duty:

Finally, we consider stamp duty land tax, finding little to say in its defence. (Mirrlees et al 2010 p. 379)

Despite these shortcomings, stamp duty and other transactions taxes are widely applied around the world because they are relatively straightforward and inexpensive to administer, and produce a good albeit volatile flow of income.

## Effects of SDLT on behaviour

The general findings of the literature are that transactions taxes mean housing changes hands less often, and the greater the tax the greater the deterrent effect. Reducing transactions means the housing stock is distributed less efficiently, and can affect the economy more widely as house purchase is associated with a range of other economic activity. Finally, SDLT appears to deter *discretionary* moves more than *necessary* moves (for job reasons or moving into care) (Hilber & Lyytikäinen 2017; IPC 2016). However discretionary moves make up the majority of normal housing transactions.

Currently 51% of owner-occupied households in England are under-occupied using the government's measure, up from 39% in 1995 (HoL p. 27). For property, as for other things, the existence of a transactions tax tends to discourage transactions—so fewer properties change hands than they otherwise would. This limits the ability of the housing market to adjust and means that some welfare-enhancing transactions (moves by older downsizers; families trading up to more suitable accommodation) will not take place.

HMRC has done extensive modelling work on SDLT. Before the 2014 changes, HMRC predicted their likely effects on house prices and property transactions. They estimated that a 1% change in the average SDLT rate would lead to a 1.4% change in house price across the price distribution. For transactions, they predicted a larger effect at low prices (3.5% change in transactions for a 1% change in SDLT) than at high prices (1.5% change in transactions for a 1% change in SDLT). They also built into their model that lower SDLT would allow buyers to pay higher deposits, and that higher tax rates would incentivise tax avoidance or evasion, particularly at the top of the price distribution (OBR 2014). Their conclusion was that the slab-to-slice changes to SDLT would lead to a fall in overall revenue in the region of £700m to £800m per annum (OBR 2014, p. 127). In the event this prediction was not borne out; there was a small fall in revenue in the year after the changes were introduced (from £7.4bn in 2014/15 to £7.3bn in 2015/16), but this was more than offset in the most recent year when the takings increased to £8.6 bn.

Much of the research into SDLT is based on analysis of large statistical datasets. There has been less investigation of how SDLT affects the decisions of individual households, and much of the work that does exist has been carried out by market research firms or campaign groups with a clear agenda. Annex A (available online) has details of recent studies. Several present broad conclusions without providing information about methodology or detailed survey results, which means they cannot be regarded as reliable evidence.



Indicative findings of the set of market-research surveys include:

- 30% of pensioners said SDLT was the biggest barrier to downsizing (survey of 1700 pensioners for *Later Life*)
- 65% of respondents said finding the required deposit was the biggest barrier to buying a property, with 6% citing the level of stamp duty (Ipsos MORI Halifax Housing Market Confidence Tracker Q1 2017).

‘Previous survey data about the barriers to people moving suggests that SDLT is not the biggest. The real barrier for older people is the psychological attachment to the family home, not the transaction tax on downsizing. Also most of these households have significant untaxed capital gains on their main homes which should easily cover these taxes.’

**Civil servant**

## 2014 changes

In looking at the effects of SDLT we need to distinguish between the *existence* of the tax, and the *changes* in the tax. In many respects the 2014 changes were positive, and they were broadly welcomed. They made the system more rational because they eliminated the cliff-edge changes at the boundaries of rate bands and thus reduced the artificial discontinuities in house prices. Those who favour an explicitly progressive tax system also applauded the increase in rates at the top end, which shifted more of the tax burden on to those who could most easily afford it.

The recent changes from slab to slice, and the associated changes in tax rate, made property transactions more expensive for some households and cheaper for others. In the short term the ‘winners’ were those buying properties worth less than £937,000, while the losers were those buying more expensive homes. In numerical terms the winners certainly outnumbered the losers, as the Chancellor pointed out when he announced the policy. However the more costly properties most affected by the changes are disproportionately (a) located in London and the south east and (b) family-sized homes. One effect of the 2014 changes was therefore to further disincentivise transactions of the sorts of homes that are already in notably short supply.

(the developer paying SDLT for the buyer) ‘overcomes a psychological barrier. People think SDLT is a big cost, so if they then change their mind they’ve wasted that money. If we pay it for them that helps.’

**Medium-sized developer**

Although there were more winners than losers from the 2014 shift, over a longer period almost all home buyers were ‘losers’, as there was a single 1% rate of tax in 1995, and even then most purchasers did not pay it.

## Landlords vs owner occupiers

Our interviewees said landlords were generally more aware of and responsive to SDLT than owner-occupiers and that the 3% surcharge is influencing decisions, though perhaps less than was anticipated. Bigger investors are most affected, but equally they are also the most affected by a series of other changes in the tax treatment of landlords (Scanlon et al 2016; Scanlon & Whitehead 2016). It is almost impossible to disentangle effects of the 3%

surcharge from those of the other changes, though as former Monetary Policy Committee member David Miles points out, ‘The impact of the reduced tax deductibility of interest payments, which affects cash flows every year, is substantially larger than the impact of higher stamp duty, which affects cash flows only at purchase and is spread over the length of the landlord’s investment’ (2017, p. 5).

Some interviewees said they sensed a change in mood among landlords, and that more-professional landlords in particular were starting to sell property.

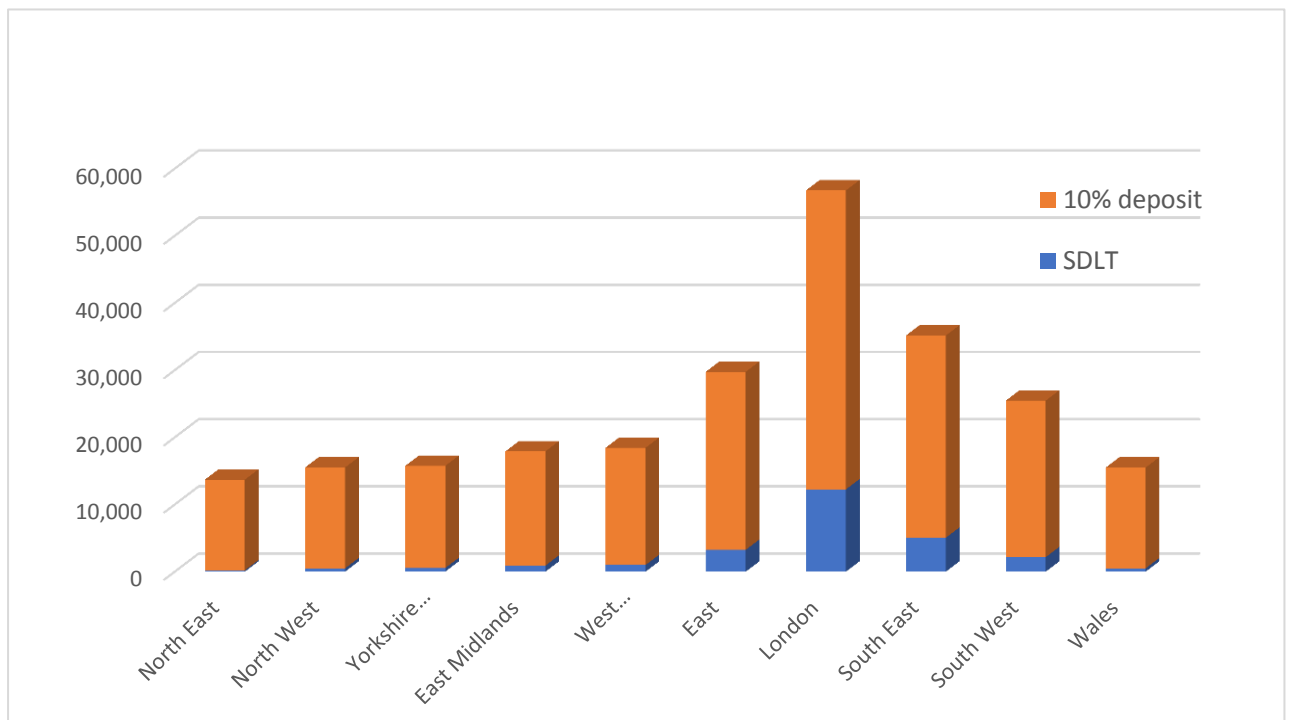
‘SDLT is an understood cost for an investor, whereas for owner-occupiers it’s a more difficult cost to bear.’ *Medium-sized developer*

### SDLT as a down payment multiplier

The administrative features of the tax matter. It must be paid, in full, by the purchaser at the time of purchase (that is, payment may not be spread over several months or years), and it cannot generally be funded by a mortgage (Seely and Keep 2017). In effect then it increases the amount of the required down payment, and in higher-cost areas such as London the addition of SDLT can greatly increase the up-front transaction cost for the buyer.

Figure 7 shows the effect of adding SDLT to a 10% deposit on a median-priced home by region. Because of high house prices the effects are strongest in London, the South East and the East of England, but much less important in the north of England.

**Figure 7: Effect of SDLT on upfront costs for buyers of median-priced homes by region (assuming 10% down payment)**



Source: ONS HPSSA Dataset 9. Median price paid for administrative geographies, LSE London calculations

'SDLT holds back moves by mortgaged home movers. You need a substantial pool of equity and SDLT hits it pretty hard and slows down the housing ladder process, as it takes longer to accumulate the necessary down payment to move.'

*Estate agent*

This effect is particularly marked for those who buy a home before selling their previous residence. Even if their intention is to use the new dwelling as their main home they are obliged to pay the 3% surcharge for owners of more than one home. This 3% is then refunded if they sell the first property within 36 months. The requirement to find an additional 3% in cash produces a strong incentive for homeowners to sell first before contracting to buy another property. This can be expected to further slow the rate of transactions, already on a downward curve (Figure 8).

'A lot of housing market activity is opportunistic. A healthy housing market must have turnover. If you buy a home and at the same time put your existing house up for sale, you will pay the 3% surcharge and if you don't manage to sell it within 36 months it won't be refunded. This might deter people from moving or encourage double renting because people can't or don't want to sell their property. So the surcharge may paradoxically lead to *more* private renting rather than less.'

*Finance expert*

## Effects of SDLT on the housing market

The effects of SDLT are not limited to downsizers or first-time buyers but ripple through the entire housing market. Purchases of new homes are affected as all potential buyers (whether new entrants to the market, downsizers, right-sizers or families trading up) face the barrier of SDLT. To the extent that SDLT dampens demand for new homes it has a knock-on effect on the housebuilding industry.

'Downsizing is important for the market. If we made better use of the housing stock we have got, we wouldn't need to release so much land. SDLT makes the market inefficient.'

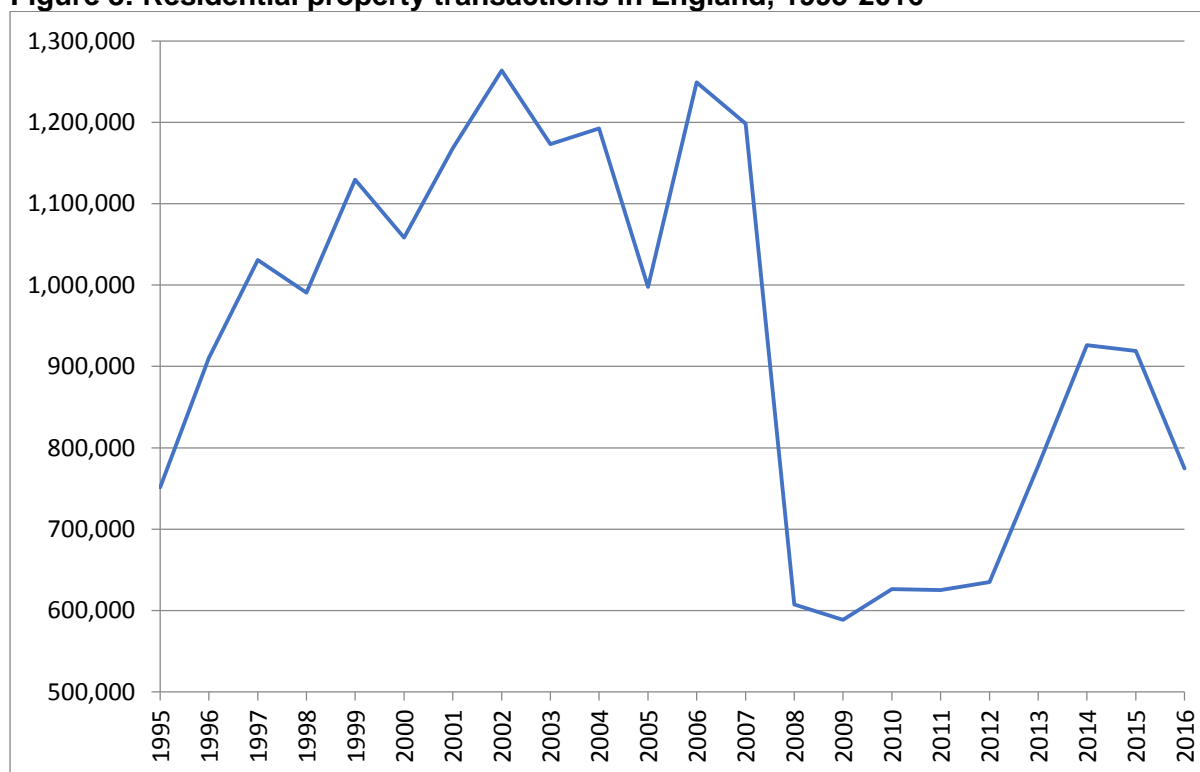
*Developer*

SDLT is not the only tax consideration for those considering downsizing or right-sizing. In 2015 the chancellor announced the phasing-in of an inheritance-tax allowance for those leaving their owner-occupied homes to their children or grandchildren. The allowance, which will be fully in place in 2021, is worth up to £1 million for a couple with no other assets. While there are provisions to protect the allowance if homeowners do sell up, these are complex and difficult to understand. In any case the signalling effect is important: the implicit message is that the government expects (or prefers) older people to remain in their family homes so as to leave them to their heirs.

## Knock-on effects on the wider economy

Amongst our interviewees, government officials said they did not see major systemic effects from SDLT, but others said it could contribute to a general dampening of economic activity. Housing transactions in England have yet to recover the levels seen from 1999-2007, and in the last two years have been declining (Figure 8). Changes in the rate of housing transactions have knock-on effects on the wider economy: house moves are associated with expenditure that contributes to GDP and indirectly to government tax revenue.

**Figure 8: Residential property transactions in England, 1995-2016**



Source: HM Land Registry

Main categories of expenditure associated with home moves include upgrading wiring and central heating; installing new kitchens and bathrooms, replacing windows and doors, plastering and general decorating. More generally most large scale renovation of individual dwellings is associated with the transfer of homes to new owners who want something different although not necessarily immediately.

Evidence about such expenditure comes mainly from market research surveys and the reported magnitudes vary widely. One recent study by a US market-research firm specialising in in home movers indicated that the typical household move generated \$9000 in associated expenditure, including on furniture, window treatments, appliances and new utilities (Epsilon 2015), while more than 4500 websites (mostly of US realtors) state without attribution that 'Each (house) purchase generates as much as \$60,000 in economic activity over time.'

A recent report on expenditure by buyers of existing (as opposed to new-build) home provided some estimates for the UK:

'In 2015, over a third of homeowners surveyed spend £10,000 – £40,000 upgrading their recently purchased home, with 13% reporting that they spend over £40,000' (House Builders Federation 2017).

However the most rigorous research into this effect was published this year by the National Bureau of Economic Research in the USA (Benmelech et al 2017), and it found rather smaller numbers—although it covered only immediate expenditures. Based on analysis of large US consumer datasets, NBER researchers estimated that homebuyers spent \$5,900 (in 2009 dollars) more than non-movers on furnishings and home improvements in the period immediately preceding and following a move. (This excludes direct costs of moving such as removals, solicitors' and agents' fees etc.)

On the other hand, there is an increasing trend for households that need more space to carry out building work on their existing homes rather than buying new ones—the 'don't move, improve' approach. This would at least partially offset any foregone expenditure related to home moves.

It is clear that household moves generate expenditure across a number of sectors of the economy, although the magnitude of the impact is difficult to calculate precisely. While existing owners do improve their homes, it is also clear that most such activity is carried out in association with a move.

## Alternatives to SDLT

There is no such thing as an 'ideal' tax—all taxes involve some element of compromise. In principle though governments generally seek taxes that

- are easy and inexpensive to administer
- are difficult for taxpayers to avoid
- do not distort economic behaviour<sup>6</sup> and
- generate significant revenue.

Culture and history also matter. Taxes that have been in place for a long time become part of the financial and cultural landscape, whereas introducing the same tax in a new environment might be politically impossible. It is also important that the public accept that taxes are fair. Changes of taxation on housing or property can be viewed as deeply *unfair*, sometimes with dramatic political consequences.

A number of experts in the UK and other countries have proposed alternatives to housing transactions taxes (e.g., the Henry review in Australia). From an optimum-tax perspective they usually seek taxes that distort behaviour less; the assumptions are normally that any proposals to replace SDLT should also involve taxation of property, and that changes must be (at least) revenue neutral.

Those purists who follow 19<sup>th</sup>-century economist Henry George advocate taxation of the value of the land. They argue that since the overall supply of land is fixed, taxation cannot alter its supply and therefore does not distort the market. Others say that distinguishing the value of the land alone from the value of the property including buildings is difficult and in any case unnecessary: that an annual tax based on the value of the property, or on its imputed rental value, would be much easier to implement and give almost the same results. Less drastically the existing council-tax system could be reformed by revaluing properties and increasing the number of tax bands.

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<sup>6</sup> Although there are taxes (eg on tobacco) explicitly intended to steer behaviour

Reformers claim that such taxes would distort the market less and align incentives better than stamp duty. Home owners who did not value living in a high-value property enough to pay a recurrent tax would be incentivised to move, to be replaced by households that placed a higher value on that property. This would result in a more economically efficient allocation of the housing stock.

Opponents say that if SDLT were removed it would just be capitalised into house prices, causing them to rise by some proportion of the tax eliminated. While this is correct, it is not a strong argument for retaining the tax. Doing away with SDLT would eliminate an important behavioural barrier to transacting, and would reduce the up-front cost associated with house purchase.

The more serious objection is the one raised by most of our interviewees: that tax reform of the sort proposed—replacing SDLT with some kind of annual property-value tax—would be so politically toxic that no government would do it. (The ill-fated ‘mansion tax’ proposal of 2015 is perhaps a case in point.) The political sensitivity reflects the fact that ‘existing landowners (would) bear the burden of a broad-based land tax in the form of a reduction in land values’, and that the greatest decline would be in areas where land is most expensive (Wood et al 2012). In political terms, then, any reform would need to include carefully designed transitional arrangements to smooth the impact on capital values.

‘Personally I would get rid of SDLT. A meaningful reform of council tax is relatively straightforward but memories of Thatcher and the poll tax experience still hobble politicians.’

*Finance expert*

‘Council tax reform is a poisoned chalice.’

*Estate agent*

But experience in the UK and elsewhere suggests that reform is not impossible. In Australia, where stamp duty is a state tax, the Australian Capital Territory (Canberra and the surrounding area) recently began to phase out stamp duty and at the same time increase the existing tax on the unimproved capital value of land. The reform will be more or less revenue neutral. While tax experts have applauded this as a sensible move, there has been some pushback from residents who have been surprised by the arrival of increased land-tax bills.

‘The transition period is always a problem, so it’s better to make any change gradually. Take for example the abolition of MIRAS, which was phased out over several years. I would advocate a reformed property tax that was a truly local tax, which would provide local authorities with an incentive to allow development.’

*Academic*

## Is there a Laffer effect?

Some experts believe that in certain cases there is an inverse relationship between tax rates and revenue—that is, that *lowering* the tax rate could result in an increase in tax revenue, as more taxable activity takes place. This relationship is known as the Laffer Curve (named for economist Arthur Laffer, who first proposed it). While the principle is well established, economists debate how often such a relationship is found in practice.

Some Finnish economists recently suggested that there would be a Laffer effect if housing transactions tax rates were in the range of 9-11%, ‘so our results suggest that lowering the transaction tax rate could increase tax revenue in those countries’ (Maattanen and Tervio 2017, p.3). If their results are accurate and generalisable to the English case, then a general lowering SDLT rates in England would *not* result in higher SDLT revenues since average SDLT payments are nowhere near this level. Their results suggest that only for properties in the very highest tax band<sup>7</sup> might a lowering of rates lead to increased SDLT revenues.

Looking at non-academic research, Saga in early 2017 commissioned research from Cebr about the potential effects of reducing SDLT for purchases of age-related housing. According to Saga’s reporting this suggested there would be a Laffer effect:

‘Research commissioned by Saga suggests this policy would release an additional 111,000 family homes on to the market. Economists at the Centre for Economic & Business Research (Cebr) estimate that the net cost of such a measure to be modest and predict the Exchequer could see a net gain in Stamp Duty revenue. ....Cebr suggests the cost of this reform would be counterbalanced by an estimated extra £461 million of stamp duty generated by the higher number of house purchases this would provoke’ (Saga 2017)

However the underlying research does not yet appear to have been published. Clearer evidence is undoubtedly needed – but revenues did rise after the 2014 changes against HMRC expectations.

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<sup>7</sup> currently 12% marginal rate for properties costing over £1.5m—or 15% if they are investment properties or second homes

## The customer survey

As part of this project we conducted an online survey of customers of Family Building Society, to better understand the effects of SDLT on decision-making about housing transactions. Most of the empirical work about the effects of transactions taxes is based on analysis of large datasets; there has been relatively little investigation on effects on individual consumers. As one recent report says, ‘Any form of purchase tax potentially has a dampening effect upon the market within which it operates, although how far it has an impact on people’s decision to move is largely uncharted territory’ (IPC 2016, p.10).

Drawing on the literature we made the following predictions, to be tested with the survey:

1. SDLT in its current configuration deters housing-market transactions
2. The deterrent effect is stronger for those liable to pay higher rates of tax—and therefore more marked in London and southern England
3. The deterrent effect has grown stronger over the last decades as overall rates of tax have gone up

The survey was conducted online. A link was emailed to 22,000 Family Building Society customers including both borrowers and savers. The survey was open for one week and no reminders were sent. There were 659 valid responses.

The survey<sup>8</sup> included questions about

- Household characteristics (age, income, household size, postcode)
- Tenure
- Size and value of principal home
- Ownership of other residential property (BTL and/or holiday homes)
- Awareness and understanding of the current SDLT system
- The effects of SDLT
  - on recent decisions about residential transactions
  - on *future* decisions about transactions
  - on children’s possibility to purchase

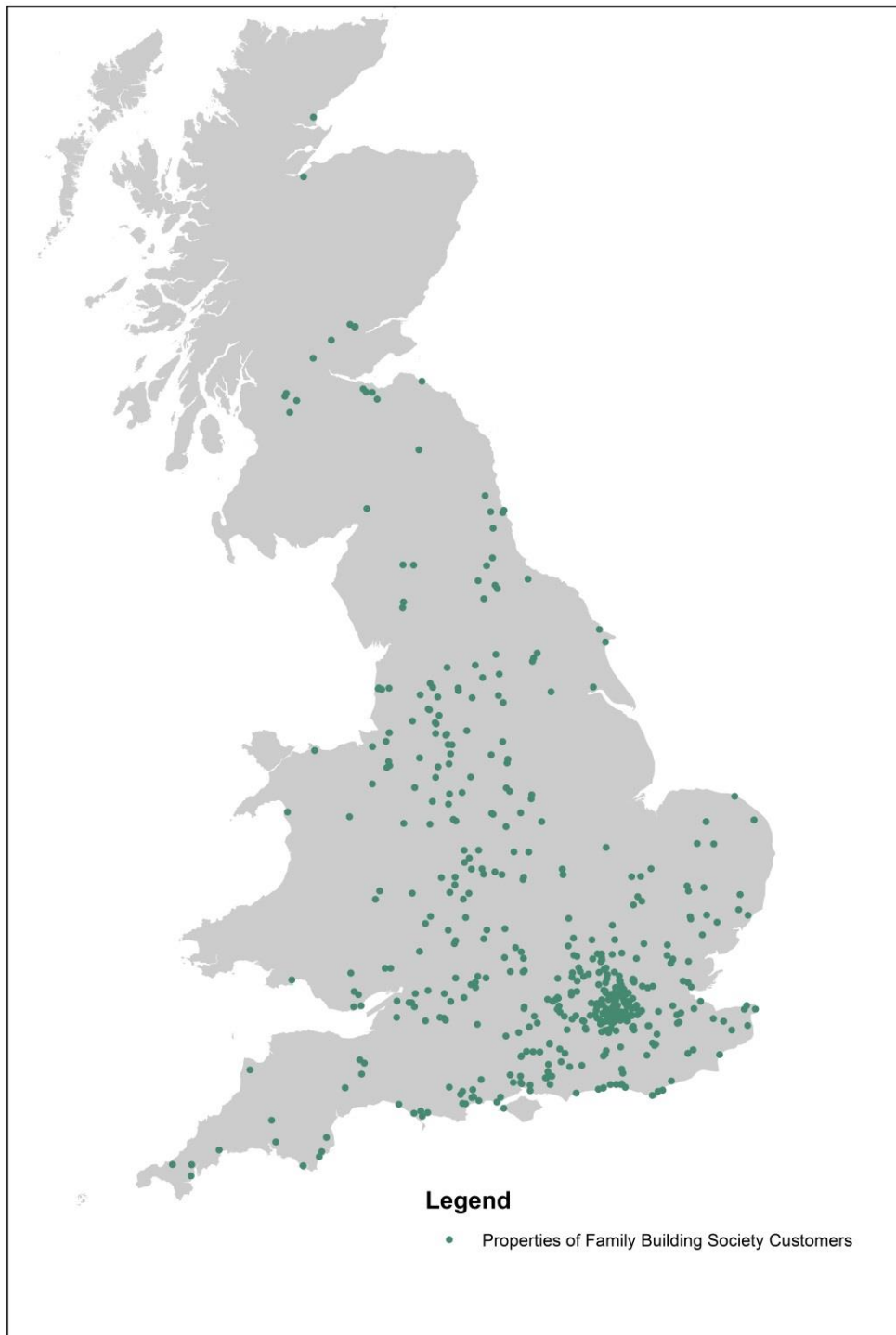
Respondents were almost all home owners, and 75% owned their homes outright. They were mostly older people (68% retired), and 54% were from London and the south east (see Figure 9). This compares to 32% of the England population overall. There were a small number of responses from Scotland and Wales, which were excluded from the analysis.

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<sup>8</sup> The text of the survey questionnaire can be found in Annex B (available online).



**Figure 9: Spatial distribution of respondents to customer survey**

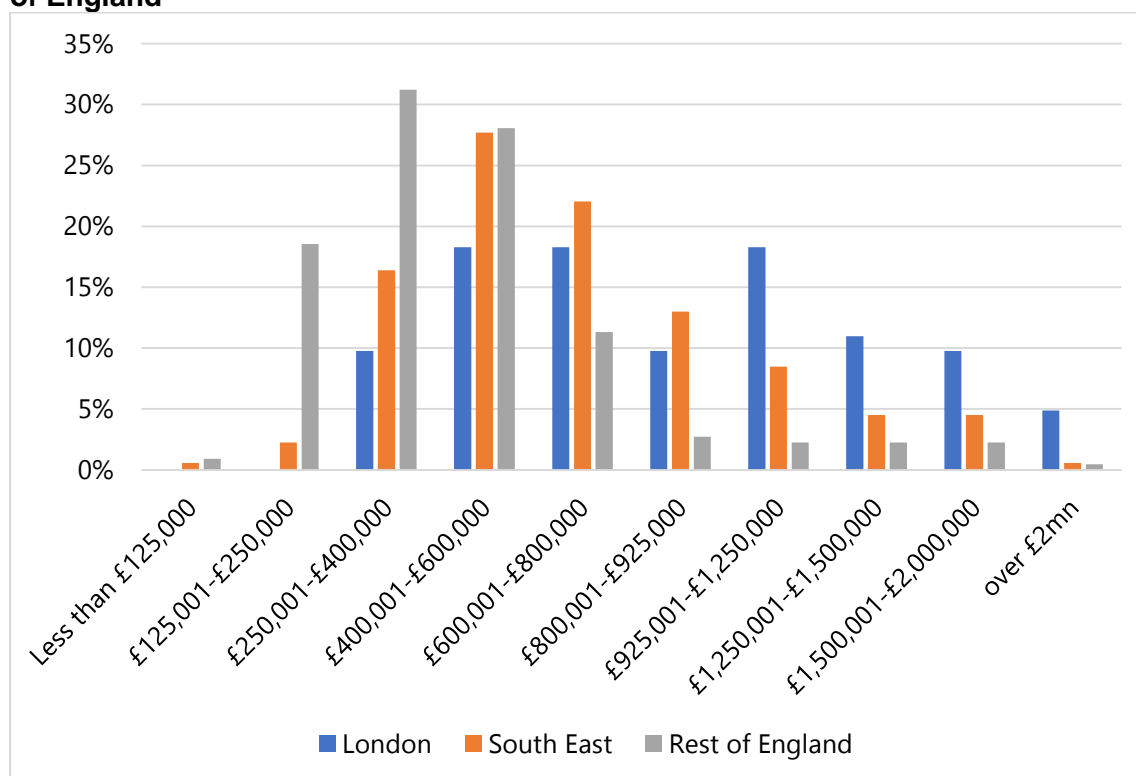


Source: LSE survey of FBS customers

Looking at the composition of survey respondents, most had higher-than-average incomes and most had owned their main homes for 12 years or more<sup>9</sup>. 90% of respondents lived in homes with three or more bedrooms, and a majority had at least four.

Most said their homes were worth over £400,000, with a significant minority (18%) saying the value was over £925,000 (which would attract a marginal SDLT rate of 10% or more for a buyer). Estimated current market values were higher in London and the south east than in the rest of England (Figure 10). For comparison, the median price of a home in England is £225,000, and £445,000 in London (ONS 2017). Apart from their main homes, about a quarter of respondents owned other residential property. Some 15% had one or more Buy to Let properties while 6% had a second home, and 2% had both BTL and second homes.

**Figure 10: Distribution of market values of main homes: London, south east and Rest of England**

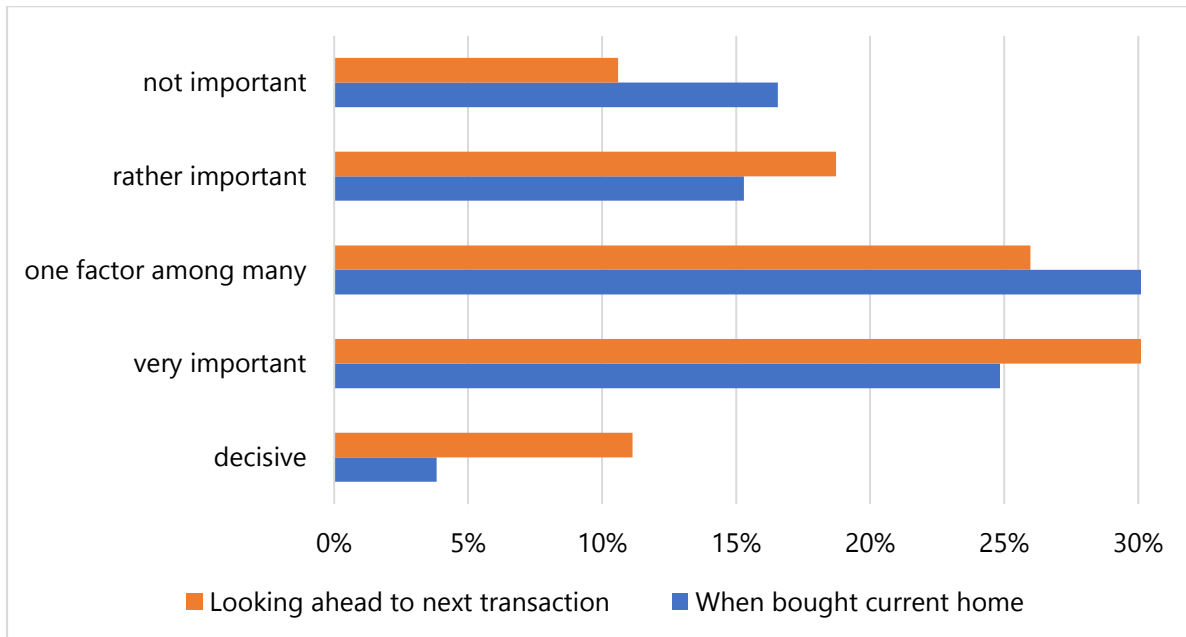


Source: LSE London survey of FBS customers

To determine how attitudes to SDLT have changed, we asked those who had purchased their properties since 2007 (157 respondents) to recall how important SDLT had been in their *last* property purchase decision. We chose this date because it was recent enough that respondents might be expected to remember details of their decision process. Nearly 30% said that it had been ‘decisive’ or ‘very important’ at the time. We asked all respondents to consider how SDLT would affect their decision about their next future purchase. Here the expected import of the tax is greater, with 45% of those responding saying they expect the level of SDLT will be very important or decisive when they *next* come to buy a home (Figure 11).

<sup>9</sup> See Annex C for detailed tables.

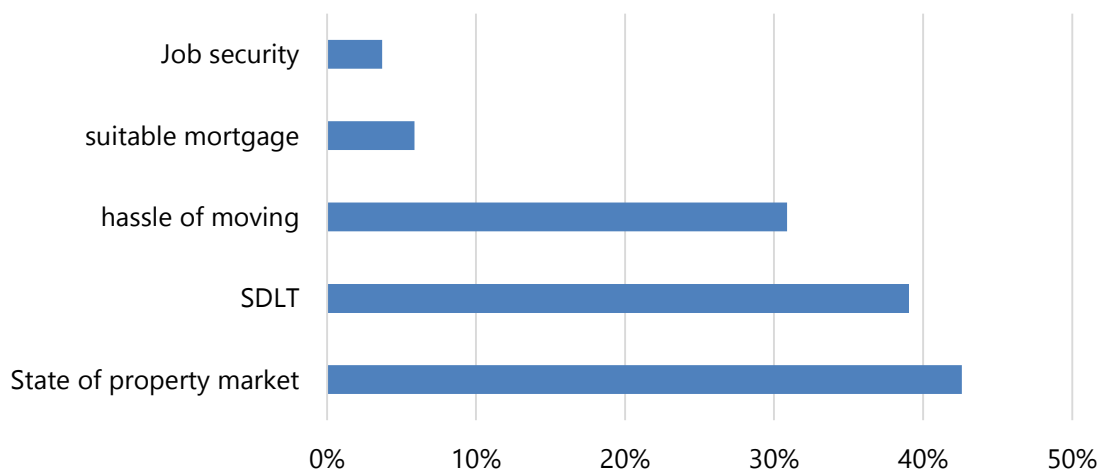
**Figure 11: Importance of SDLT in purchase decision: on buying last property and for next purchase**



Source: LSE London survey of FBS customers

We asked about the importance of a range of possible barrier factors in deciding to sell one home and buy another, including the most important ones that had been identified in other surveys. Some 39% of respondents said the level of SDLT would be decisive or very important in their decision (Figure 12). The state of the property market was the only factor felt to be more important (cited by 43% of respondents). The responses clearly reflect the demographic of the survey respondents (retired, with substantial assets) as most were not concerned about job security or finding a suitable mortgage.

**Figure 12: ‘Decisive’ or ‘very important’ factors in deciding to sell one home and buy another**



Source: LSE London survey of FBS customers

Data from the survey allowed us to examine two issues in particular:

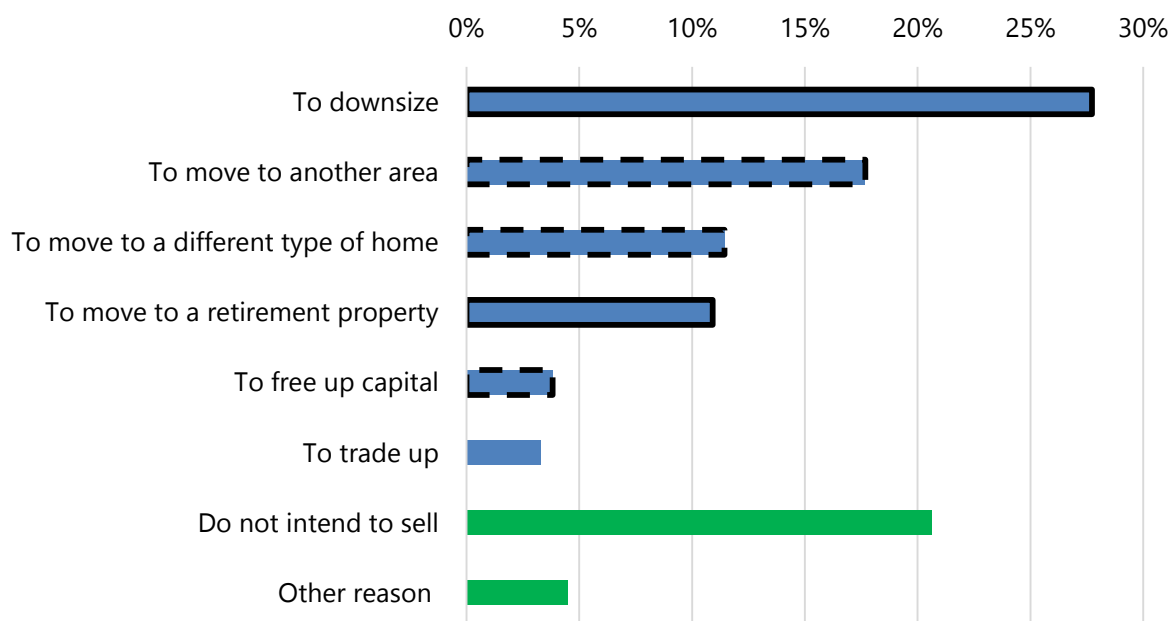
- The effect of SDLT on incentives to downsize or move
- Parental views about the effects of SDLT on adult children

## The effects of SDLT on the decision to downsize

Figure 13 shows that about 40% said their next move would be *mainly* for the purpose of downsizing or moving to a retirement property. (The proportion that would prefer to downsize is probably higher still: the survey permitted only a single answer to this question, and it is likely that some of those answering ‘to move to a different area’ or ‘to move to a different type of home’ were also thinking of downsizing.) This is broadly consistent with evidence presented in 2017 to the House of Commons inquiry into housing for older people, which indicated that about a third of older people wanted to downsize, and that those with larger homes were more likely to want to do so (House of Commons 2017).

Table 3 indicates that respondents aged between 51 and 80 were most likely to say they intended to downsize, with about a third saying this would motivate their next move. A smaller proportion, almost all over 60, indicated that they would like to move to a retirement property.

**Figure 13: Likely main reason for next move**  
(outlines in solid black indicate downsizers; dashed lines potential downsizers)



*Single answer permitted*

Source: LSE London survey of FBS customers

‘Due to my age and state of health, I would prefer a single storey house in a quiet location near to shops.’

**Retired, 77, divorced**

‘Retired now, would like to move to an area where houses are similar value to ours now, almost moved in summer but 35k stamp duty put us off as that 35k cannot be recovered through rising markets or salary.’

**Retired, 61, lives in 5-bed house in Horsham.**

‘I would prefer to be carried out of my home in a wooden box!’

**Retired, 77, lives in 4-bed house purchased in 1972**

In general, then, respondents belonged to the cohort of home owners that we should be encouraging/incentivising to move: older/retired people in big family houses who are looking to move to a more manageable (though not necessarily less expensive) property. Moves to more manageable homes, in the right locations, would be beneficial to their own wellbeing as well as improving the efficiency of distribution of the overall housing stock. However survey respondents said the prospect of paying SDLT on the new home, the knowledge that the proceeds from selling their own homes might be reduced because of the tax, and the need to pay the 3% surcharge if the first home were not sold in time, made it less likely that they would in fact move.

(The 3% surcharge) 'would rule out (moving) entirely. Intended to move nearer parents by buying first and then selling. Now it won't happen because I can't take the risk of not selling first home in time to get refund of stamp duty surcharge.'

***Retired, 58, lives in 5-bed house***

'It has just stopped us buying a suitable retirement home to which we could have downsized if sdt were not stopping us selling our current home and because we had not done this we would have to have paid 3% more.'

***Retired, 70, lives in 5-bed house in Wimbledon***

'I would like to move but my partner cites the cost of moving [including Stamp Duty] as a reason not to.'

***Retired, 67, Chippenham***

'Stamp duty makes downsizing too expensive to consider - remaining bungalows carry a premium price so stamp duty costs great (as most have had roof extensions).'

***Retired, 58, Walton-on-Thames***

**Table 3: Likely reason for next sale by age group**

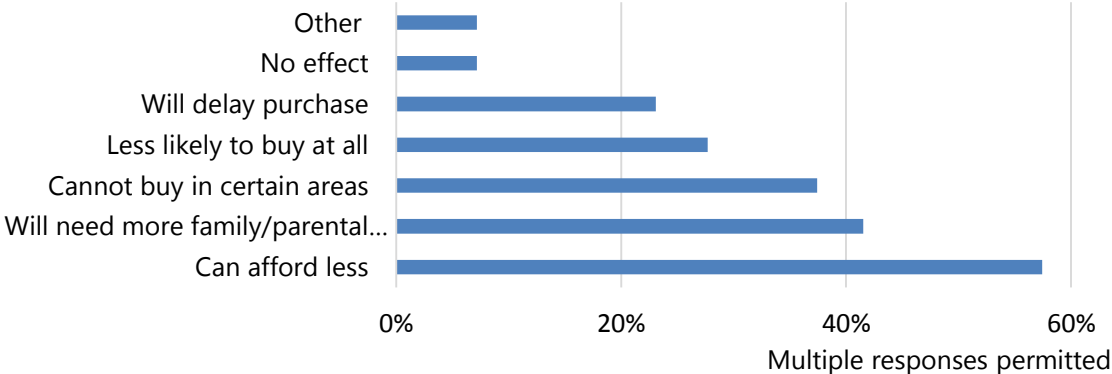
Age group	<i>To downsize</i>	<i>Don't intend to sell</i>	<i>To move to another area</i>	<i>To move to a different type of home</i>	<i>to move to a retirement property</i>	<i>to free up capital</i>	<i>To trade up</i>	<i>Other</i>	<b>Number</b>
31-40	18%	27%	18%	9%	0%	0%	27%	0%	<b>11</b>
41-50	20%	10%	30%	20%	7%	0%	10%	3%	<b>30</b>
51-60	30%	13%	23%	14%	5%	5%	5%	6%	<b>111</b>
61-70	28%	16%	19%	13%	14%	5%	3%	3%	<b>232</b>
71-80	29%	25%	13%	10%	15%	3%	0%	4%	<b>117</b>
81-90	11%	68%	0%	0%	16%	0%	0%	5%	<b>19</b>
>91	0%	33%	0%	0%	33%	0%	0%	33%	<b>3</b>
<b>Number</b>	<b>143</b>	<b>101</b>	<b>94</b>	<b>63</b>	<b>62</b>	<b>20</b>	<b>18</b>	<b>22</b>	<b>523</b>

Source: LSE London survey of FBS customers

## How SDLT affects young people’s ability to buy

Some 195 survey respondents had at least one adult child who did not own a home. We asked how SDLT would affect their options when considering home ownership; respondents could choose more than one answer. Over half said the effect of SDLT would be that they could afford to pay less (Figure 14). Other expected impacts were that they would need more family help, could not buy in some areas, and/or were less likely to buy at all.

**Figure 14: Likely effects of SDLT on adult children’s first home purchase**



Source: LSE London survey of FBS customers

‘Our daughter was a first time buyer and we had to remortgage our home to help her buy a house. The tax duty was immense and punitive.’  
**Married, 68, Worcestershire**

‘Means [our children] must be sure of staying there and not moving quickly afterwards because they’d have to pay SDLT again - hindrance to job mobility and employment prospects.’  
**Retired, 66, Hertford**

## How would parents help?

Most parents of adult children said they were likely to offer some financial help or support (Table 4) although there was a clear SKI (Spending the Kids’ Inheritance) subset who said they were unlikely to assist. Interestingly 79% said they would be likely to give money while only about 60% said they would lend it.

**Table 4: Likelihood of helping adult children attain property ownership**

	Very likely	Somewhat likely	Not likely	Would not consider/not possible
Giving money	47%	32%	16%	5%
Lending money	24%	37%	31%	8%
Supporting mortgage with parental savings	18%	29%	45%	2%
Acting as guarantor	20%	34%	33%	13%

## How SDLT affects purchases of buy-to-let properties and second homes

We asked respondents how SDLT would affect their decisions about on other types of residential property transactions (Table 5). More than half said that SDLT, including the 3% surcharge, would have a decisive or very important effect on their decisions about investing in rental properties or second homes.

**Table 5: Importance of SDLT including 3% surcharge on decisions about investment/second home purchases**

	<i>Decisive</i>	<i>Very important</i>	<i>Rather important</i>	<i>One factor among many</i>	<i>Not important</i>
Rental property	24%	30%	11%	14%	21%
Second home	23%	28%	12%	15%	22%

Source: LSE London survey of FBS customers

'This imposition (of the 3% surcharge for investors) is iniquitous and will restrict the supply of privately rented properties and therefore cause an increase in rents. Government generally views landlords as rapacious but in reality most are genuine people who look after their tenants. As ever it is the bad ones who get the publicity.'

*Retired, 69, lives in Leicester*



## Discussion

Based on the literature, our predictions were that

1. SDLT in its current configuration deters housing-market transactions
2. The deterrent effect is stronger for those liable to pay higher rates of tax—and therefore more marked in London and southern England
3. The deterrent effect has grown stronger over the last decades as overall rates of tax have gone up

The survey findings confirm the first hypothesis. SDLT is a major factor in respondents' thinking about whether to sell their existing home and buy another. This is particularly important given that respondents represent a demographic that could be expected to want to downsize—indeed many said their next transaction would be for that purpose. Both the qualitative and quantitative responses made clear, though, that such households have a choice about whether or not to downsize, and that SDLT acts as a heavy weight on the 'stay' side of the scale. Liability for the 3% surcharge if purchasers ended up temporarily owning two homes was seen as a particularly worrying risk.

Our second hypothesis was that the deterrent effect of SDLT would be stronger for those liable to pay these higher rates. The 2014 reforms changed the system from slab to slice and increased effective tax rates for properties costing over £937,000, while reducing them for less expensive homes. However this increase in tax liability at the top end could not be observed in a reduction in turnover of these properties: in 2015/16, the first full year after the reforms, there were 20,200 transactions of properties costing over £1 million, up from 19,000 the year before. In 2016/17 the number fell back to 18,200.

The raw numbers thus do not show a slowdown at the top of the market that could be attributed to changes in SDLT. But on its own this is not conclusive: using statistics to isolate the effects of a tax change on a complex market requires econometric modelling that is beyond the scope of this project.

The survey evidence is consistent with our hypothesis that SDLT has more impact on behaviour in high-cost areas. Some 49% of respondents in London and the south east (and 57% in London) said SDLT would be 'very important' or 'decisive' in deciding whether to sell their current home and buy another (a downsizing move, for most of them). In the rest of England, where values are lower, the figure was 42%.

The evidence makes it clear that SDLT has become a more important factor in buyers' decisions over the last ten years. This is not surprising: SDLT paid by buyers of median-value homes has risen markedly over the last decade in absolute terms and as a proportion of average earnings (although the 2014 slab-to-slice reforms mitigated the rise, at least temporarily), while SDLT on purchases of more expensive homes has gone up very sharply. Tighter mortgage conditions in the wake of the GFC also mean that the tax must be paid up-front out of savings, rather than funded by a loan.

## Conclusions

SDLT is concentrated and progressive (at least in terms of dwelling values). It raises a great deal of money without affecting most taxpayers so government likes it. Progressive taxation can enable more equitable distribution of income and wealth and is therefore often seen as 'fair'. But the more progressive the tax the more pain it causes to those paying the highest rates, and the more effort they will put into avoiding it (as shown by experience in the 1970s, when the marginal tax rate on earned income reached 83%). For many of those who already own a home, SDLT is very easy to avoid: they can simply stay put.

Revenues from SDLT have been rising steadily since 2008/09 as a result of increasing house prices, higher tax rates on expensive properties, and the 3% surcharge imposed in 2016 on investors and second-home buyers. Housing-market transactions on the other hand remain weak: the annual number of transactions fell by more than half after the 2008 crash and in 2016 were still 38% below levels seen in the early 2000s.

Twenty years ago, buyers of median-priced homes paid less than £1000 in stamp duty--and that was true in London as well as in England overall. Since then SDLT on a median-priced home in England has more than quadrupled, and in London it has gone up by a factor of more than 12. The gap between London and the rest of the country continues to grow.

Because of higher property values in London and the south east, these regions accounted for more than 2/3 of SDLT revenues, whereas they account for only around 30% of the dwellings in England and Wales. The tax is highly progressive: in 2016/17, a fifth of receipts came from purchases of properties in the highest tax band, although these properties accounted for well under 1% of transactions.

Nevertheless the majority of revenue comes from sales of more typical homes: 58% of revenues were from properties worth between £250,000 and £1 million. Importantly, people paying average house prices in all four southern regions now must pay SDLT, while in London a purchaser must buy a home worth less than 1/3 the price of an average flat (and an even smaller fraction for a house) to avoid stamp duty.

Our survey of customers of the Family Building Society, which concentrates on older households, showed SDLT was now the second most-important influence on their decision whether or not to downsize. Ten years ago it was much less of a factor.

Downsizers must write a cheque to HMRC when they buy their new home. They can't buy something that costs the same as their original house without spending money on the tax—but can stay where they are for nothing. Many therefore do stay, continuing to live in homes that may be highly unsuitable for their needs and imposing additional costs on health and social services. This in turn reduces the demand for new housing that suits older households and means there is less choice for those who do want to move. The UK is almost alone in the developed world in having so few retirement communities which can help keep people healthier and connected.

Respondents with adult children said SDLT limited their ability to buy without parental help. SDLT increases the already difficult deposit requirement; in addition, because it makes older households less likely to sell, there are fewer suitable homes on the market. This makes it difficult not only for first-time buyers but also for families and second steppers to get the housing that is best for them.

SDLT contributes to reduced household mobility. Having bought a home, people are unwilling to move again soon and 'waste money' by paying SDLT twice over. This is costly

for individual households as they are less likely to take up new job opportunities (or, if they do, may need to commute long distances); it is costly for the economy because it inhibits the efficient allocation of labour, and both consumer expenditure and housing investment are lower than they otherwise would be.

There is near-consensus among academics and policy experts that an annual tax on property or land value, or indeed an improved version of council tax, could

- raise the same revenue as SDLT,
- distort the housing market less, and
- provide incentives that aligned with housing-policy objectives instead of undermining them.

Inevitably there would be winners and losers from any tax change, but carefully designed transitional arrangements could mitigate effects on individual households. The phased reduction in mortgage interest tax relief in the 1980s and 1990s, and the eventual abolition of the relief in 2000, show that sensible tax change is possible. A brave government should at least start the process of shifting taxation away from transactions necessary for a flexible housing market.

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## Appendix: Historic rates of stamp duty

**Sources: "Stamp duty tax parameters" HM Revenue and Customs, 2013 and "Quarterly Stamp Duty Statistics", HM Revenue and Customs, 2016**

Start date	Threshold and rates of stamp duty														
	Nil rate up to £	0.50% over £	1% over £	1.50% over £	2% over £	2.50% over £	3% over £	3.50% over £	4.00% over £	5.00% over £	8% over £	10% over £	12% over £	13% over £	15% over £
1 Aug 1958	3,500	3,500	4,500	5,250	6,000	-	-	-	-	-	-	-	-	-	-
1 Aug 1963	4,500	4,500	6,000	-	-	-	-	-	-	-	-	-	-	-	-
1 Aug 1967	5,500	5,500	7,000	-	-	-	-	-	-	-	-	-	-	-	-
1 Aug 1972	10,000	10,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-
1 May 1974	15,000	15,000	20,000	25,000	30,000	-	-	-	-	-	-	-	-	-	-
6 Apr 1980	20,000	20,000	25,000	30,000	35,000	-	-	-	-	-	-	-	-	-	-
22 Mar 1982	25,000	25,000	30,000	35,000	40,000	-	-	-	-	-	-	-	-	-	-
13 Mar 1984	30,000	-	30,000	-	-	-	-	-	-	-	-	-	-	-	-
20 Dec 1991	250,000	-	250,000	-	-	-	-	-	-	-	-	-	-	-	-
20 Aug 1992	30,000	-	30,000	-	-	-	-	-	-	-	-	-	-	-	-
16 Mar 1993	60,000	-	60,000	-	-	-	-	-	-	-	-	-	-	-	-
8 Jul 1997	60,000	-	60,000	250,000	500,000	-	-	-	-	-	-	-	-	-	-
24 Mar 1998	60,000	-	60,000	-	250,000	-	500,000	-	-	-	-	-	-	-	-
16 Mar 1999	60,000	-	60,000	-	-	250,000	-	500,000	-	-	-	-	-	-	-
28 Mar 2000	60,000	-	60,000	-	-	-	250,000	-	500,000	-	-	-	-	-	-
1 Dec 2003	60,000	-	60,000	-	-	-	250,000	-	500,000	-	-	-	-	-	-
17 Mar 2005	120,000	-	120,000	-	-	-	250,000	-	500,000	-	-	-	-	-	-
23 Mar 2006	125,000	-	125,000	-	-	-	250,000	-	500,000	-	-	-	-	-	-
6 Apr 2011	125,000	-	125,000	-	-	-	250,000	-	500,000	1,000,000	-	-	-	-	-
4 Dec 2014	125,000	-	-	-	125,000	-	-	-	-	250,000	-	925,000	1,500,000	-	-
17 Mar 2016 Main home	125,000	-	-	-	125,000	-	-	-	-	250,000	-	925,000	1,500,000	-	-
1 Apr 2016 Investment/ 2 <sup>nd</sup> home	-	-	-	-	-	-	0	-	-	125,000	250,000	-	-	925,000	1,500,000

### Notes

(1) From the 1st December 2003 separate starting rates were applied to residential and commercial transactions:

- i. residential property transactions, consist mainly of home purchases but also include other transactions which cannot be regarded as purchases for owner occupation e.g. the separate purchase of a private garage or the purchase of the freehold by the leaseholder;
- ii. commercial property covers all land and commercial and industrial property e.g. shops, commercial garages, hotels, public houses etc.



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# ANNEXES TO

## A taxing question: Is Stamp Duty Land Tax suffocating the English housing market?

Report for Family Building Society, *November 2017*

Kath Scanlon, Christine Whitehead and Fanny Blanc

## Annex A: Recent surveys of home buyers/potential home buyers that ask about SDLT (reverse chronological)

**Ipsos MORI Halifax Housing Market Confidence Tracker** First quarter 2017: <https://www.slideshare.net/IpsosMORI/ipsos-mori-halifax-housing-market-confidence-tracker-q1-2017>

What are the main barriers to people in general being able to buy a property? barriers to buying? Respondents were able to select up to three factors. Of the eleven factors given, the top three were 'Being able to raise enough deposit' (65%), 'job security' (41%) and 'rising property prices' (36%). 'The level of stamp duty / taxation' came near the bottom with 6% of respondents choosing it.

**Saga** March 2017: <https://www.saga.co.uk/newsroom/press-releases/2017/march/saga-urges-chancellor-to-use-budget-to-spark-a-housing-revolution> (refers to Saga/CEBR research but the research itself doesn't appear online)

"Research commissioned by Saga suggests this policy would release an additional 111,000 family homes on to the market. Economists at the Centre for Economic & Business Research (Cebr) estimate that the net cost of such a measure to be modest and predict the Exchequer could see a net gain in Stamp Duty revenue.

Abolishing Stamp Duty on age-related housing developments would also encourage down-sizing, add to the housing stock, and help free up housing for younger people aspiring to home ownership, Saga argues.

Saga's Director of Communications Paul Green said: "We have compelling polling evidence that a third of over 60s want to downsize but they are being deterred by the cost of moving. "A simple change to Stamp Duty could remove this obstacle and relieve some of the massive pressure in the housing market. Cebr suggests the cost of this reform would be counterbalanced by an estimated extra £461 million of stamp duty generated by the higher number of house purchases this would provoke. It's a win-win for all generations."

**Later Life** January 2017 survey of 1700 pensioners: <https://connectpa.co.uk/wp-content/uploads/2017/01/Jan-2017-survey-results4.jpg>

'If you were to think about moving house, what would be the main barriers that might stop you from moving?' Among those who said they were considering moving, Stamp Duty was cited by 3 in 10 as the biggest barrier. This was selected over the cost of moving home (26%), a lack of small homes on the market (25%) and a lack of suitable housing for their health needs (11%).

And

'A Government White Paper on housing is due to be published later this month. What initiatives would you like to see included?' Top response: Exemptions from stamp duty for those downsizing.

**Property Week** January 2017 online survey of readers:  
<http://www.propertyweek.com/5086582.article> and  
<http://www.propertyweek.com/insight/analysis-features/call-off-duty-our-demands/5087336.article>

Reader survey in connection with magazine's 'Call Off Duty' campaign against SDLT.  
Questions included

- Why should institutional investors and large-scale landlords be exempt from the 3% SDLT surcharge?
- How should current SDLT thresholds be revised and what price points should SDLT kick in at?
- What should the levels of SDLT be at these price points and why?
- Should first-time buyers be excluded from SDLT altogether? If so, how could government make up the shortfall?
- Should the national SDLT strategy be ditched for a regional one and how would that work?
- How could SDLT be adapted to encourage older people to downsize and free up homes for young families?
- How could SDLT be reformed to help the 'just about managing', or JAMs?
- How could the regime be revised to help rather than hinder social mobility?
- Is there an alternative to SDLT that could provide a better and fairer system?
- What lessons can be learned from the Scottish property tax system?

Narrative article said readers were strongly opposed to features of the current system, but no detailed survey results were provided.

**Survey of WhatHouse buyers** November 2016:  
<http://www.whathouse.com/news/whathouse-readers-have-their-say-on-future-direction-of-government-housing-polic/#LqWexutlem5cRktS.99>

Readers were asked to select their priorities for May's government to focus on from 10 different options...By far the most popular request from the survey widget responses was for May to abolish Stamp Duty for first-time buyers with 61% voting for this.

**My Home Move** 25 July 2016 survey of over 55s:  
<http://www.myhomemove.com/news/downsizers-hindered-by-moving-costs-and-lack-of-the-right-kind-of-properties>

58% of over 55s have no intention of downsizing. For those that would consider downsizing (25%) the lack of suitable properties and the costs involved in moving, including Stamp Duty, represent barriers to them moving.

...The survey of 1,000 UK residents, aged 55 and over, conducted by independent researchers Gorkana, also discovered that for those who would like to downsize (25%), there existed real and urgent barriers which were stopping them from putting their homes on the market. 39% of would-be downsizers cited there are not enough of the 'right kind' of properties available to move into; while nearly 40% saw the costs involved in moving, including Stamp Duty Land Tax, as too prohibitive to consider moving now.

**YouGov for Homeowners Alliance and BLP Insurance** April 2016:  
<https://www.ft.com/content/f278bd10-07be-11e6-a623-b84d06a39ec2>  
Will 3% surcharge help first-time buyers?

**YouGov for BLP insurance** April 2016:

<https://www.blpinsurance.com/news-events/press-releases/article/twice-as-many-support-new-stamp-duty-surchage-as-oppose-despite-loud-opposition-from-landlord-groups-134961/>

Is stamp duty land tax a problem?

**YouGov for Times Red Box** April 15:

[https://d25d2506sfb94s.cloudfront.net/cumulus\\_uploads/document/j9x8nbtks7/TimesRedBoxResults\\_150318\\_taxation\\_Website.pdf](https://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/j9x8nbtks7/TimesRedBoxResults_150318_taxation_Website.pdf)

How fair/unfair do you think these taxes are? Stamp duty seen as 2<sup>nd</sup> most unfair after inheritance tax.

## Annex B: Text of online questionnaire for Family Building Society customers (administered Sept/Oct 2017)

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### Start of Block: Introduction

Q1 Thank you for agreeing to answer this survey, which should take no more than 10 minutes. It is part of a research project on the effects of Stamp Duty Land Tax, carried out by the London School of Economics for Family Building Society. Your responses are confidential and will be used for analytical purposes only; no one will contact you. **The survey will be open until Monday, 2 October.** We realise your time is valuable. To thank you, we offer one respondent the chance to donate £350 to a charity of their choice. There is a link at the end of the survey.

### End of Block: Introduction

---

### Start of Block: About property ownership

Q2 Do you own your main home?

- Yes, own it with a mortgage (1)
- Yes, own it outright (2)
- No, rent the home (3)

---

*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q3 Did you buy it or acquire it some other way?

- bought it (1)
- acquired it some other way (e.g. inheritance) (2)

---

*Display This Question:*

*If Did you buy it or acquire it some other way? = bought it*

Q4 What year did you buy it?

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*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q5 How many bedrooms does your home have?

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*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q6 What is the approximate current market value? Please tick one.

- Less than £125,000 (1)
- £125,001-£250,000 (2)
- £250,001-£400,000 (3)
- £400,001-£600,000 (4)
- £600,001-£800,000 (5)
- £800,001-£925,000 (6)
- £925,001-£1,250,000 (7)
- £1,250,001-£1,500,000 (8)
- £1,500,001-£2,000,000 (9)
- Over £2m (10)

---

*Display This Question:*

*If Do you own your main home? = No, rent the home*

Q7 Have you ever owned the main home you lived in?

- Yes (1)
- No (2)

---

*Display This Question:*

*If Have you ever owned the main home you lived in? = Yes*

Q8 When did you sell or otherwise dispose of it? (YEAR)

\_\_\_\_\_

**End of Block: About property ownership**

---

**Start of Block: About ownership of rental property or second homes**

Q9 Do you currently own any residential property in the UK that is not your main home?

- Yes (1)
- No (2)

---

*Display This Question:*

*If Do you currently own any residential property in the UK that is not your main home? = Yes*

Q10 What type of residential property do you own? (tick all that apply)

- Buy to Let property/properties (1)
- Second or holiday home/homes (2)
- Other (3)

---

*Display This Question:*

*If What type of residential property do you own? (tick all that apply) = Buy to Let property/properties*

Q11 How many Buy to Let properties do you currently own?

\_\_\_\_\_

---

*Display This Question:*

*If What type of residential property do you own? (tick all that apply) = Buy to Let property/properties*

Q12 Did you purchase the Buy to Let property/ies or acquire it/them some other way?

- Purchased (1)
- Acquired some other way (e.g. inheritance) (2)
- Purchased some, acquired others without buying (3)

---

*Display This Question:*

*If Did you purchase the Buy to Let property/ies or acquire it/them some other way? = Purchased  
Or Did you purchase the Buy to Let property/ies or acquire it/them some other way? = Purchased some, acquired others without buying*

Q13 What year did you buy your most recent Buy to Let property?

\_\_\_\_\_

---

*Display This Question:*

*If What type of residential property do you own? (tick all that apply) = Second or holiday home/homes*

Q14 How many second or holiday homes do you currently own in the UK?

\_\_\_\_\_

*Display This Question:*

*If What type of residential property do you own? (tick all that apply) = Second or holiday home/homes*

Q15 Did you purchase your second home(s) or acquire it/them some other way?

- purchased (1)
- didn't buy it/them but acquired in some other way (e.g. inheritance) (2)
- purchased some, acquired others without buying (3)

*Display This Question:*

*If Did you purchase your second home(s) or acquire it/them some other way? = purchased  
Or Did you purchase your second home(s) or acquire it/them some other way? = purchased some, acquired others without buying*

Q16 When did you buy your most recent second or holiday home?

---

**End of Block: About ownership of rental property or second homes**

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**Start of Block: About awareness of SDLT**

Q17 The next few questions are about Stamp Duty Land Tax (or Land and Buildings Transaction Tax in Scotland). Before taking this survey, how much did you know about the current system?

- Had a detailed knowledge and understand how it would apply to any likely property transactions (1)
- Understood it in general but didn't know specifics of tax rates (2)
- Knew something about it (3)
- Had heard of it but didn't know much about it (4)
- Didn't know about it (5)

**End of Block: About awareness of SDLT**

---

**Start of Block: About property transactions: main homes, BTL, second homes**

Q18 Background: Stamp Duty Land Tax (SDLT) is paid by buyers of residential property. Rates have been progressively raised over the last 20 years. Currently, the rates for main homes range from 0% for properties worth under £125,000 (£145,000 in Scotland), through 2% for the portion up to £250,000 and up to 12% for any portion of the price above £1.5 million.

The Government's Stamp Duty Land Tax calculator is here. (*link provided*)

All questions about SDLT apply equally to Land and Buildings Transaction Tax in Scotland.



Press the right arrow below to continue.

---

Display This Question:

*If What year did you buy it? Text Response Is Greater Than or Equal to 2007*

Q19 Thinking back to when you bought your **main home**, how important was the level of Stamp Duty Land Tax in your decision about the purchase?

- decisive (1)
  - very important (2)
  - rather important (3)
  - one factor among many (4)
  - not important (5)
- 

Display This Question:

*If Thinking back to when you bought your main home, how important was the level of Stamp Duty Land T... = decisive*

*Or Thinking back to when you bought your main home, how important was the level of Stamp Duty Land T... = very important*

*Or Thinking back to when you bought your main home, how important was the level of Stamp Duty Land T... = rather important*

*Or Thinking back to when you bought your main home, how important was the level of Stamp Duty Land T... = one factor among many*

Q20 In what ways did the level of Stamp Duty Land Tax affect your decision about the purchase? (please tick all that apply)

- whether to buy a home at all (1)
  - how much I/we could afford to spend (2)
  - where to buy (3)
  - when to buy (4)
- 

Display This Question:

*If Thinking back to when you bought your main home, how important was the level of Stamp Duty Land T... = not important*

Q21 The level of Stamp Duty Land Tax (SDLT) did not affect your decision about the purchase because (please tick all that apply):

- The amount involved was small (1)
  - No SDLT was payable because the property value was low (2)
  - No SDLT was payable because of exemption for first-time buyers (3)
  - I/we could cover the SDLT with savings and other funds (4)
  - SDLT was paid by the developer (5)
  - Other (please specify) (6)
- 

---

*Display This Question:  
If Did you buy it or acquire it some other way? bought it Is Greater Than or Equal to 2007*

Q22 Would you like to make any comments about how Stamp Duty Land Tax (SDLT) affected your choice when you bought your home?

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---

*Display This Question:  
If Do you own your main home? = No, rent the home*

Q23 Would you like, if possible, to purchase a home in the UK in the next five years?

- Yes, definitely (1)
  - Yes, probably (2)
  - Not sure (3)
  - Unlikely (4)
  - Not interested in buying in this timeframe or at all (5)
- 

*Display This Question:  
If Would you like, if possible, to purchase a home in the UK in the next five years? = Yes, definitely  
Or Would you like, if possible, to purchase a home in the UK in the next five years? = Yes, probably*

Q24 What sort of price range are you thinking of?

- Less than £125,000 (1)
- £125,001-£250,000 (2)
- £250,001-£400,000 (3)
- £400,001-£600,000 (4)
- £600,001-£800,000 (5)
- £800,001-£925,000 (6)
- £925,001-£1,250,000 (7)
- £1,250,001-£1,500,000 (8)
- £1,500,001-£2,000,000 (9)
- Over £2m (10)

---

*Display This Question:*

*If Do you own your main home? = No, rent the home*

Q25 How important do you expect the level of Stamp Duty Land Tax (SDLT) will be in your eventual decision about buying a home?

- Decisive (1)
- Very important (2)
- Rather important (3)
- One factor among many (4)
- Not important (5)

---

*Display This Question:*

*If Do you own your main home? = No, rent the home*

Q26 In what ways would Stamp Duty Land Tax (SDLT) affect your decision about buying a home? Please tick all that apply

- about whether to buy a home (1)
  - about how much I/we could afford to spend (2)
  - about where to buy a home (3)
  - about when to buy a home (4)
  - about what kind of home to buy (5)
  - other (please specify) (6)
- 

**End of Block: About property transactions: main homes, BTL, second homes**

---

**Start of Block: About purchases of Buy to Let properties**

Q27 Have you purchased a Buy to Let property in the UK in the last ten years, or considered doing so?

- Yes, purchased (1)
- Considered but did not buy (2)
- No (3)

---

*Display This Question:*

*If Have you purchased a Buy to Let property in the UK in the last ten years, or considered doing so? = Yes, purchased*

*Or Have you purchased a Buy to Let property in the UK in the last ten years, or considered doing so? = Considered but did not buy*

Q28 How important was Stamp Duty Land Tax in your decision about the purchase?

- Decisive (1)
  - Very important (2)
  - Rather important (3)
  - One factor among many (4)
  - Not important (5)
-

*Display This Question:*

*If How important was Stamp Duty Land Tax in your decision about the purchase? = Decisive  
Or How important was Stamp Duty Land Tax in your decision about the purchase? = Very important*

*Or How important was Stamp Duty Land Tax in your decision about the purchase? = Rather important*

*Or How important was Stamp Duty Land Tax in your decision about the purchase? = One factor among many*

**Q29** In what way did Stamp Duty Land Tax affect your decision about buying a Buy to Let property? Please tick all that apply

- Whether to buy a property (1)
  - How much you could afford to spend (2)
  - Where to buy (3)
  - When to buy (4)
  - What kind of property to buy (5)
  - Other (please specify) (6)
- 

*Display This Question:*

*If How important was Stamp Duty Land Tax in your decision about the purchase? = Not important*

**Q30** The level of Stamp Duty Land Tax (SDLT) was not important in your decision about buying a Buy to Let property because: please tick all that apply

- The amount of SDLT was small in the context of a long-term investment (1)
  - No SDLT was payable because the value of the property was low (2)
  - I/we could cover SDLT out of savings and other funds (3)
  - SDLT was paid by the developer (4)
  - Other (please specify) (5)
- 

**End of Block: About purchases of Buy to Let properties**

---

**Start of Block: About purchases of second homes**

Q31 Have you purchased a second home or holiday property in the UK in the last ten years, or considered doing so?

- Yes, purchased (1)
- Considered but did not buy (2)
- No (3)

---

*Display This Question:*

*If Have you purchased a second home or holiday property in the UK in the last ten years, or consider... = Yes, purchased*

*Or Have you purchased a second home or holiday property in the UK in the last ten years, or consider... = Considered but did not buy*

Q32 How important was Stamp Duty Land Tax in your decision to buy a second or holiday home?

- Decisive (1)
- Very important (2)
- Rather important (3)
- One factor among many (4)
- Not important (5)

---

*Display This Question:*

*If How important was Stamp Duty Land Tax in your decision to buy a second or holiday home? = Decisive*

*Or How important was Stamp Duty Land Tax in your decision to buy a second or holiday home? = Very important*

*Or How important was Stamp Duty Land Tax in your decision to buy a second or holiday home? = Rather important*

*Or How important was Stamp Duty Land Tax in your decision to buy a second or holiday home? = One factor among many*

Q33 In what way did Stamp Duty Land Tax affect your decision about buying a second home or holiday property? (please tick all that apply)

- Whether to buy the property (1)
  - How much you could afford to spend (2)
  - Where to buy (3)
  - When to buy (4)
  - What kind of property to buy (5)
  - Other (please specify) (6)
- 

---

*Display This Question:*

*If How important was Stamp Duty Land Tax in your decision about the purchase? = Not important*

Q34 The level of Stamp Duty Land Tax was not important in the decision about buying a second or holiday home because (please tick all that apply)

- the amount of SDLT was small (1)
  - No SDLT was payable because the property value was low (2)
  - I/we could cover SDLT with savings or other funds (3)
  - SDLT was paid by the developer (4)
  - Other (please specify) (5)
- 

---

Q35 Would you like to make any comments about how Stamp Duty Land Tax (SDLT) affected your decisions about buying a Buy to Let property or second home property?

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**End of Block: About purchases of second homes**

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**Start of Block: About drivers for buying or selling**

*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q36 Are you considering selling your main home in the next three years?

- Yes, plan to sell and buy something else (1)
  - No, plan to continue living here (2)
  - No, plan to buy another home but retain this one as a rental property (3)
  - Considered selling but decided to stay put/extend instead (4)
  - Not sure (5)
  - Other (please specify) (6)
- 

---

*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q37 Thinking ahead to when/if you eventually sell your main home, what do you expect will be your **most important** motivation?

- To downsize (1)
  - To trade up (2)
  - To move to a retirement property (3)
  - To move to another area (4)
  - To move to a different type of home (5)
  - To free up capital (6)
  - Do not intend to sell (7)
  - Other reason (please specify) (8)
- 

---

*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*



Q38 Still thinking about the future, how important do you expect these factors will be in deciding whether to sell your home and buy another?

	Decisive (1)	Very important (2)	Rather important (3)	One factor among many (4)	Not important (5)
The level of Stamp Duty Land Tax (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The state of the property market (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The hassle of moving (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job security (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability of suitable mortgage (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Display This Question:*

*If Do you own your main home? = Yes, own it with a mortgage  
Or Do you own your main home? = Yes, own it outright*

Q39 Would you like to make any comments about your likely reasons for selling your main home?

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**End of Block: About drivers for buying or selling**

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**Start of Block: About plans for investing in rental property/second homes**

Q40 How likely are you to invest in a **rental property** in the UK in the next five years?

- Certain (1)
- Very likely (2)
- Somewhat likely (3)
- Not at all likely (4)

Q41 How likely are you to invest in a **second** or **holiday home** in the UK in the next five years?

- Certain (1)
- Very likely (2)
- Somewhat likely (3)
- Not at all likely (4)

Q42 Since April 2016 there has been a 3% Stamp Duty Land Tax surcharge on buy-to-let properties or second homes in the UK, for those who already own a home. How important a factor would SDLT (including the 3% surcharge) be when thinking about

	Decisive (1)	Very important (2)	Rather important (3)	One factor among many (4)	Not important (5)
...investing in rental property? (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... investing in a second or holiday home? (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q43 Would you like to make any comments about how the 3% Stamp Duty Land Tax (SDLT) surcharge would affect your purchases or sales in future?

**End of Block: About plans for investing in rental property/second homes**

**Start of Block: About helping family**

Q44 Do you have any adult children who do not own their homes?

- Yes (1)
- No (2)

*Display This Question:*  
If Do you have any adult children who do not own their homes? = Yes

Q45 Do any of them hope to purchase a home in the UK in the next ten years ?

- Yes (1)
- No (2)
- Unsure (3)

---

*Display This Question:*

*If Do you have any adult children who do not own their homes? = Yes*

Q46 How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability to purchase? (please tick all that apply)

- Means it is less likely they can buy a property at all (1)
  - Means they can afford less (2)
  - Means they cannot buy in certain areas (3)
  - Means they will delay purchase (4)
  - Means they require more family/parental help (5)
  - No effect (6)
  - Other (please specify) (7)
- 

---

*Display This Question:*

*If How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability... = Means it is less likely they can buy a property at all*

*Or How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability... = Means they can afford less*

*Or How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability... = Means they cannot buy in certain areas*

*Or How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability... = Means they will delay purchase*

*Or How in your view, does the current system of Stamp Duty Land Tax affect your child/children's ability... = Means they require more family/parental help*

Q47 The following are some ways that parents can help family members with property purchases. How likely would you be to consider any of these?

	Very likely (1)	Somewhat likely (2)	Not likely (3)	Would not consider/not possible for me (4)
Giving money for deposit/SDLT (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lending money for deposit/SDLT (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supporting child/children's mortgage with parental savings (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Acting as mortgage guarantor (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q48 Would you like to make any comments about how Stamp Duty Land Tax (SDLT) affects first-time buyers?

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**End of Block: About helping family**

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**Start of Block: Basic information about you and your family**

Q49 How many people live in your household?

---

Q50 What is your marital status?

- Single (1)
- Domestic partnership (2)
- Married/ civil partner (3)
- Divorced/ civil partnership dissolved (4)
- Widowed/ surviving civil partner (5)
- Separated (6)
- Other (please specify): (7)

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Q51 Number of children over 18 (whether living with you or not):

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Q52 Your age:

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Q53 Full postcode of your main home (to be used only for analysis):

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Q54 Employment Status:

- Employed/ self-employed (1)
- Unemployed (2)
- Student (3)
- Retired (4)
- Looking after the family home (5)
- Unable to work (6)
- Other (please specify): (7)

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Q55 What is your household's annual income before tax?

- Under £7000 (1)
- £7,001 - £13,000 (2)
- £13,001 - £18,000 (3)
- £18,001 - £23,000 (4)
- £23,001 - £29,000 (5)
- £29,001 - £35,000 (6)
- £35,001 - £43,000 (7)
- £43,001 - £53,000 (8)
- £53,001 - £67,000 (9)
- £67,001 - £119,000 (10)
- over £119,000 (11)
- Don't know (12)
- Prefer not to say (13)

**End of Block: Basic information about you and your family**

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**Start of Block: The end --**

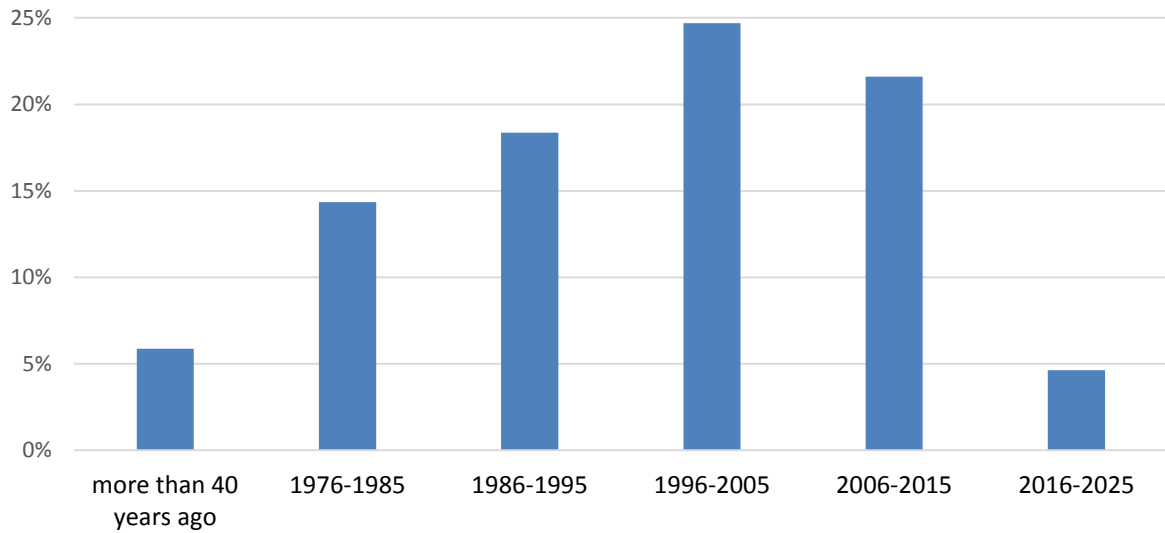
Q56 Would you like to make any further comments about the effects of Stamp Duty Land Tax on you or your family members?

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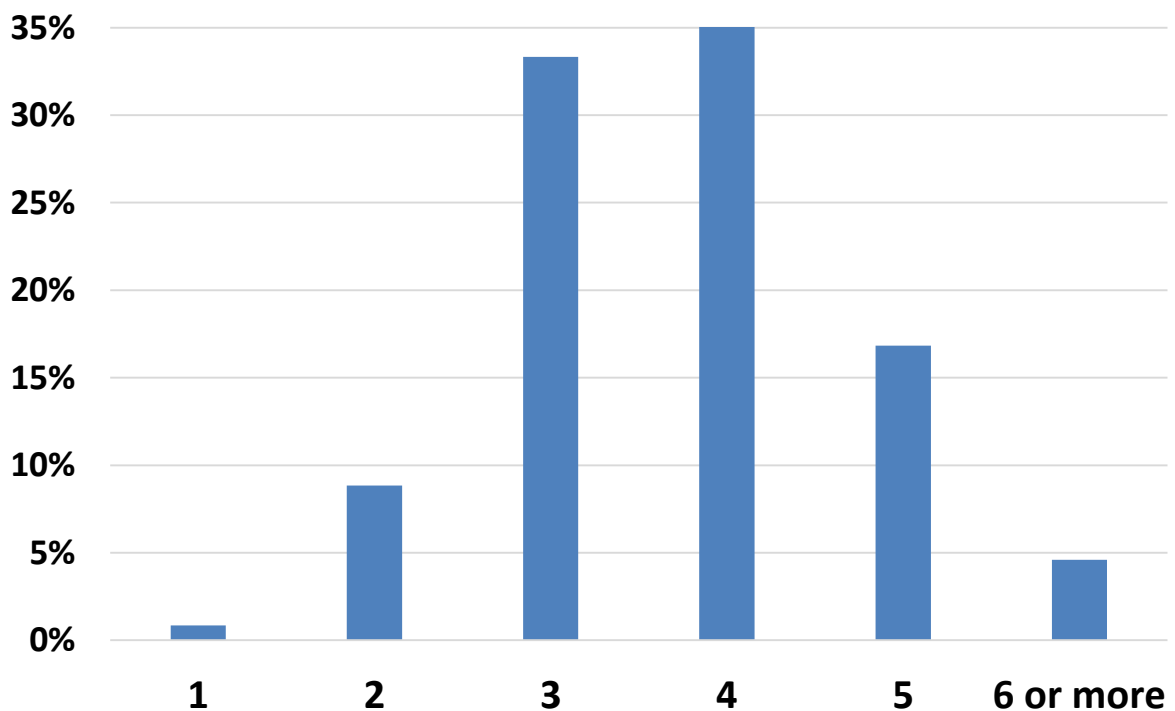
End of Block: The end -

## Annex C: Further results from survey of Family Building Society customers

### When home was purchased



### Size of main home in bedrooms



## Respondents' assessment of current market values of home

