

# Analysis of raising the stamp duty threshold

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8 July 2020



## Introduction

Today the chancellor announced that the stamp duty land tax (SDLT) threshold for residential properties will be increased from £125,000 to £500,000. SDLT is levied on property transactions above a threshold and introduces another charge on homeowners to the already costly process of moving. That means that for some people who might consider moving, the benefits no longer outweigh the costs. They either decide not to move at all or delay doing so. SDLT is a highly distortionary and economically destructive tax, so the increase will be welcomed by those moving home.

A couple's location preferences might change, for example, when they retire from work. Living near leisure facilities or family might become relatively more important than living somewhere convenient for where they used to work before they retired. They might also prefer a smaller property if their children have recently moved, particularly if downsizing could help their children buy a property of their own to make space for grandchildren. As well as frustrating the lives of couples like this, SDLT also frustrates the ambitions of those who might otherwise have bought that same property, precisely because it is larger or conveniently located for employment opportunities. In this way, SDLT plays a role in both exacerbating the housing crisis and weakening productivity.

This research estimates the number of property transactions which would have occurred last year if the threshold for stamp duty land tax on residential properties would have been the new £500,000 level and also if it would have been £1 million. In other words, how many more families could move home if we stopped taxing them.

## Key findings

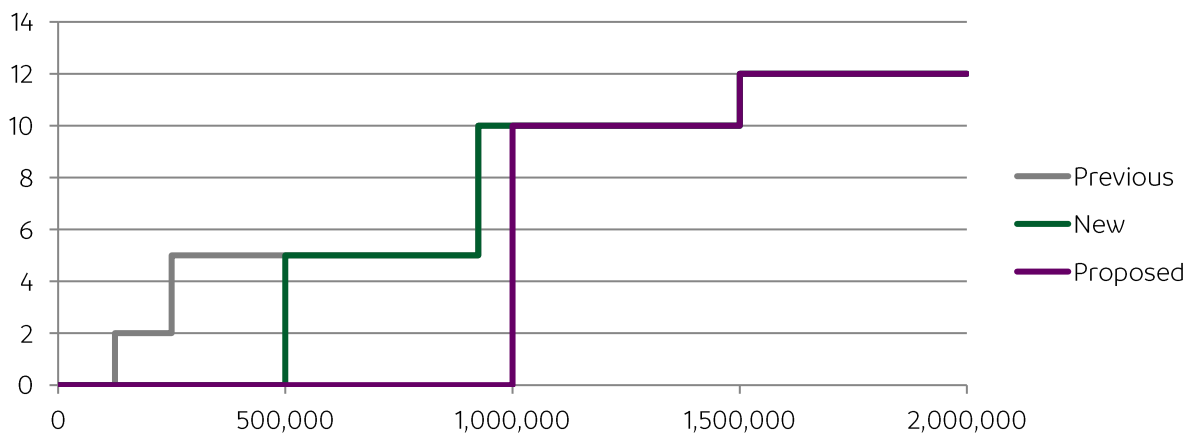
- An SDLT threshold of £500,000 would have resulted in an **estimated 216,000 more transactions** last year, equivalent to a 27 per cent increase on existing transactions worth over £125,000.
- An SDLT threshold of £1 million would have resulted in an **estimated 245,000 more transactions** last year, equivalent to a 31 per cent increase on existing transactions worth over £125,000.
- Some of the increase would have been temporary, but an **estimated 132,000 transactions a year would be permanent**, with a £500,000 threshold, equivalent to a **17 per cent increase**.
- An estimated **150,000 transactions a year would be permanent** with a £1 million threshold, equivalent to a **19 per cent increase**.
- Of the estimated 29,000 more transactions which would have occurred with a £1 million threshold compared to a £500,000 threshold, **20,000** would have been homes worth **under £1 million**.
- Previous research has shown **public opinion strongly supports** a £1 million stamp duty threshold, with a **66 per cent approval** rate against just 17 per cent in opposition.
- The **number of additional families who would be freed to move** by a £500,000 threshold in the first year would have been approximately equivalent to the total dwelling stock of **Wiltshire, Bradford or the city of Manchester**.
- The **number of additional families who would be freed to move** by a £500,000 threshold on an on-going basis (after the temporary effects had expired) would still have been approximately equivalent to the total dwelling stock of **Leicester, Nottingham or Stockport**.

## Data

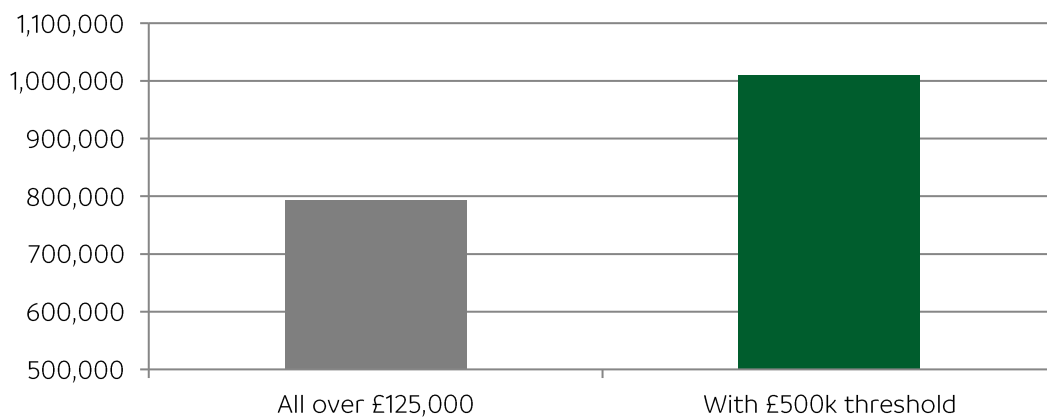
**Table 1: existing and proposed SDLT rate schedule**

Band	Previous (%)	New (%)	Proposed (%)
Up to previous threshold of £125,000	0	0	0
Between previous £125,000 threshold and £250,000	2	0	0
Between £250,000 and new £500,000 threshold	5	0	0
Between £500,000 and £925,000	5	5	0
Between £925,000 and proposed threshold of £1 million	10	10	0
Between proposed £1 million threshold and £1.5 million	10	10	10
Above £1.5 million	12	12	12

**Chart 1: previous, new and proposed marginal rates of SDLT (%)**



**Chart 2: residential transactions over £125,000 in 2019 with an estimate given the new £500,000 threshold**



## Popular support for a higher threshold

Opinion polling we commissioned last year showed a £1 million threshold would be popular.<sup>1</sup>

**Table 2: popular support for exempting homes under £1 million from stamp duty by age**

Age	Support (%)	Oppose (%)	Net support (%)
18-24	52	22	29
25-34	65	16	49
35-44	64	19	46
45-54	66	18	47
55-64	71	16	55
65+	75	12	63
All ages	66	17	49

## Further information

The TaxPayers' Alliance has a long history of producing research on stamp duty land tax and campaigning for its abolition.

The TPA first called for stamp duty to be abolished in 2012 with the final report of the 2020 Tax Commission. ([www.taxpayersalliance.com/the\\_single\\_income\\_tax](http://www.taxpayersalliance.com/the_single_income_tax))

The TPA began the 'Stamp Out Stamp Duty' campaign in 2013, with events across the country and support from estate agents. The campaign continued and was rewarded with the reforms of 2014 which replaced the slab design with a more rational marginal rate structure, albeit with higher rates. ([www.taxpayersalliance.com/tpa\\_renews\\_its\\_call\\_to\\_stamp\\_out\\_stamp\\_duty](http://www.taxpayersalliance.com/tpa_renews_its_call_to_stamp_out_stamp_duty))

### Previous research

*Revealed: More than a quarter of home-buyers hit with a Stamp Duty bill for £7,500 or more, August 2013*

[www.taxpayersalliance.com/new\\_campaign\\_exposes\\_how](http://www.taxpayersalliance.com/new_campaign_exposes_how)

*Stamp Duty- a counterproductive tax (Walbrook Economics), August 2013*

[www.taxpayersalliance.com/economic\\_impact\\_of\\_stamp\\_duty](http://www.taxpayersalliance.com/economic_impact_of_stamp_duty)

*Three in ten homes to suffer Stamp Duty hike by 2017, August 2013*

[www.taxpayersalliance.com/stamp\\_duty\\_hikes\\_by\\_2018](http://www.taxpayersalliance.com/stamp_duty_hikes_by_2018)

*Two in five London homes to suffer Stamp Duty hike by 2017, August 2013*

(Not online)

*Tax briefing note: stamp duty land tax, November 2017*

[www.taxpayersalliance.com/stamp\\_duty\\_land\\_tax\\_briefing](http://www.taxpayersalliance.com/stamp_duty_land_tax_briefing)

*The growing burden of stamp duty towards 2021-22, November 2017*

[www.taxpayersalliance.com/the\\_growing\\_burden\\_of\\_stamp\\_duty\\_towards\\_2021\\_22](http://www.taxpayersalliance.com/the_growing_burden_of_stamp_duty_towards_2021_22)

*Productivity dirty dozen: 12 policy failures – stamp duty on homes, April 2018*

[www.taxpayersalliance.com/productivity\\_dirty\\_dozen\\_12\\_policy\\_failures](http://www.taxpayersalliance.com/productivity_dirty_dozen_12_policy_failures)

<sup>1</sup> TaxPayers' Alliance, *New polling from the TaxPayers' Alliance shows tax cuts are key to winning working class votes*, 2019, [www.taxpayersalliance.com/new\\_polling\\_from\\_the\\_taxpayers\\_alliance\\_shows\\_tax\\_cuts\\_are\\_key\\_to\\_winning\\_working\\_class\\_votes](http://www.taxpayersalliance.com/new_polling_from_the_taxpayers_alliance_shows_tax_cuts_are_key_to_winning_working_class_votes), (accessed 5 November 2019).

*Public First research for the TaxPayers' Alliance, July 2019*

[www.publicfirst.co.uk/wp-content/uploads/2019/10/TPA\\_Research\\_July.pdf](http://www.publicfirst.co.uk/wp-content/uploads/2019/10/TPA_Research_July.pdf)

*Raise the stamp duty threshold to £1 million, November 2019*

[www.taxpayersalliance.com/raise\\_the\\_stamp\\_duty\\_threshold\\_to\\_1\\_million](http://www.taxpayersalliance.com/raise_the_stamp_duty_threshold_to_1_million)