

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): TWENTIETH AMENDMENT (P.71/2019 Amd.(20)) – COMMENTS

**Presented to the States on 22nd November 2019
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Corporate Services Scrutiny Panel proposes the following in [P.71/2019 Amd.\(20\)](#) –

PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that the 2020 Estimate for Stamp Duty shall be increased by £1.06 million by amending the Stamp Duty bands in accordance with the table below, with other affected lines in Summary Table 1 to be updated accordingly –

Transaction value up to	2018 Rate	2019 Rate	Proposed new rate
1 – 50	0.5% up to 50k	0.5% up to 50k	–
50,001 – 300	1.5% on excess up to 300k	1.5% on excess up to 300k	–
300,001 – 500	2% on excess up to 500k	2% on excess up to 500k	–
500,001 – 700	2.5% on excess up to 700k	3% on excess up to 700k	–
700,001 – 1	3% on excess up to 1m	3.5% on excess up to 1m	–
1,000,001 – 1.5	4% on excess up to 1.5m	4.5% on excess up to 1.5m	5%
1,500,001 – 2	5% on excess up to 2m	5.5% on excess up to 2m	6.5%
2,000,001 – 3	6% on excess up to 3m	6.5% on excess up to 3m	8%
3,000,001 – 6	8% on excess up to 6m	8.5% on excess up to 6m	9.5%
6,000,001+	9% on excess	9.5% on excess	11%

”.

The Council of Ministers opposes this proposal and urges States Members to reject the amendment.

The amendment refers only to increasing the Stamp Duty (“SD”) rate bands for transactions above £1 million. However, it is assumed that the proposal is to increase both the SD and Land Transactions Tax (“LTT”) rate bands.

It is further assumed that the amendment relates only to SD/LTT on dwellings (and not commercial property). This assumption is based on the Table that was included within the amendment. Accordingly, it appears that there is no proposal to increase the rates of SD in respect of commercial property.

As stamp duties are transactional taxes, it is difficult to forecast changes to them with accuracy. However, based on –

- the average number of SD/LTT transactions in respect of dwellings,
- with transaction values greater than £1 million,
- excluding transaction of £8 million and above (which distort the data), and
- for the years 2016 to 2018 inclusive,

it is estimated that the proposal will raise £1.06 million.

The increase will only impact the top 5 SD/LTT rate bands for dwellings, i.e. those in respect of transactions with a value above £1 million. The bands for transactions involving dwellings of £1 million and below are not changed.

There were approximately 180 SD/LTT transactions where the transaction values were greater than £1 million in 2018.

The SD/LTT rate bands for transaction values greater than £500k were increased in the adopted [Budget Statement 2019 \(P.114/2018\)](#). This increase was part of a package of SD/LTT measures which it was anticipated had a broadly neutral Exchequer impact. The increase in the higher-rate bands was used to fund an extension to the First-Time Buyer (“FTB”) rate and lower the SD/LTT on mortgages¹.

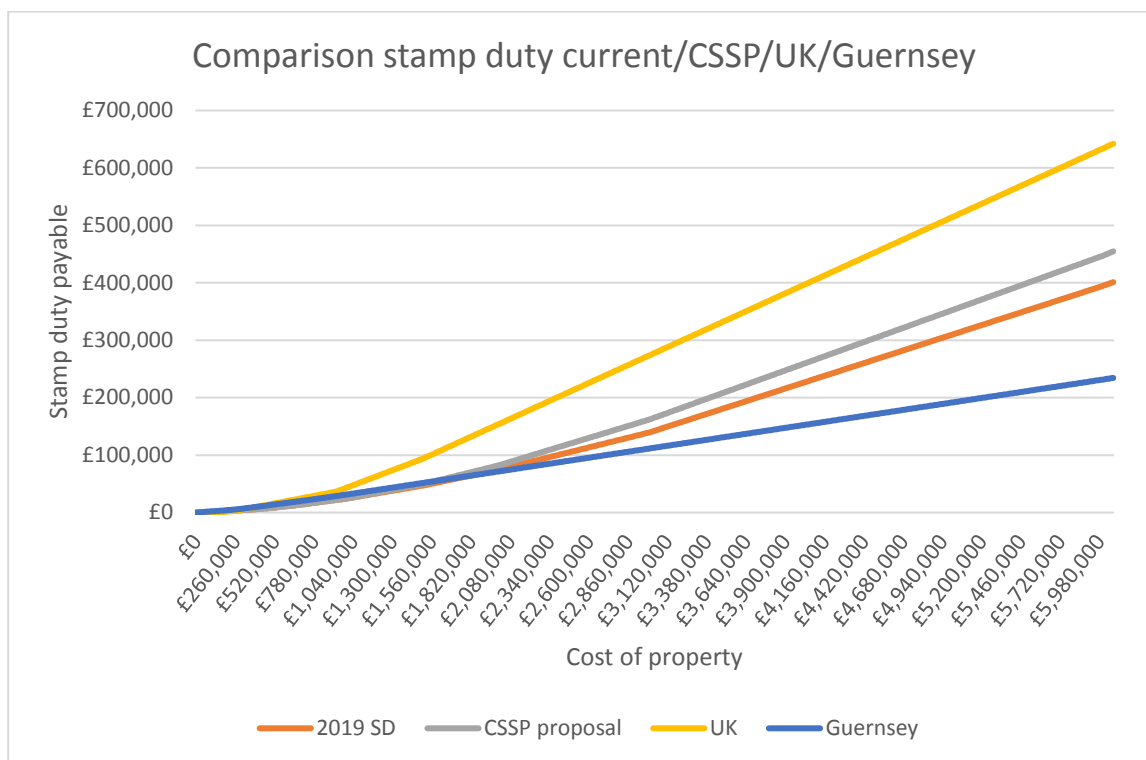
In the Corporate Services Scrutiny Panel (“CSSP”) Report ‘Draft Budget Statement 2019’ [S.R.16/2018](#), the CSSP made the following recommendations –

- Recommendation 2 – The number of stamp duty bands should be reduced (the proposal was that there should be 5 rate bands).
- Recommendation 3 – The stamp duty on residential property transactions between £600k and £1 million should be reduced.
- Recommendation 4 – The reduced stamp duty for property transaction between £600k and £1 million to be funded by increases to stamp duty on properties above £3 million.

It is not clear how CSSP’s current amendment to this [Government Plan](#) is consistent with their 2019 Budget proposals, since it is unlikely to encourage people to “upsized” and improve the turnover rate in the housing market between £600k and £1 million.

The proposal to increase the SD/LTT rate bands for transaction values greater than £1 million may have a negative impact on our international competitiveness for talent. It is acknowledged that the rates of SD/LTT in Jersey are lower than the UK for transactions above c. £270k. However, the level at which SD/LTT becomes higher in Jersey than Guernsey would reduce from c. £1.8 million (currently) to c. £1.56 million under this proposal, and the gap between Jersey and Guernsey would widen above that point.

¹ Budget 2019 removed SD on mortgages taken out to purchase a dwelling valued up to £600K and introduced a taper to the standard rate for the purchase of dwellings above £600K up to £700K.



Whilst property at the highest values is a very small part of the property market, the market in this range is already slowing, and property purchases at this level are likely to be a bit more discretionary than at lower price brackets.

The Housing Policy Development Board (“HPDB”) will report to the Chief Minister in early 2020 with a comprehensive package of policy interventions to address the identified challenges in Jersey’s housing market. Any consideration of changes to stamp duty must be considered in the context of these proposals.

Stamp duty/land transaction tax are within the scope of the Board’s work. No changes are proposed to stamp duty or land transactions tax at the current time. However, proposals for changes may be brought forward in subsequent years. It is premature to amend the Stamp Duty rates in 2020 in isolation for the following reasons –

- (1) While it would be possible to raise stamp duty in isolation, it is likely to be less effective than being part of a clear and coherent policy approach. This proposal is inconsistent with the current policy trajectory of the HPDB.
- (2) The HPDB has been considering how to make better use of existing residential dwellings to unlock under-utilised supply. Various mechanisms have been considered, including the removal of financial barriers to downsizing for owner-occupiers, such as providing stamp duty relief on purchases for people who are downsizing by at least 2 bedrooms. To raise stamp duty as proposed in the amendment may deter downsizing and make the purchase of a larger family home more unaffordable for residents seeking to provide a home for a growing family. This could decrease the match between elderly households willing to downsize and young families seeking larger dwellings. The adoption of this amendment may increase the inefficient use of existing housing stock in Jersey.

- (3) Increasing stamp duty is likely to discourage house moving in general, slowing down the housing market, increasing house prices, and therefore reducing affordability.
- (4) Increasing stamp duty applies “friction” to the housing market, reducing household mobility, preventing people from moving house due to cost, and preventing people from moving to more suitable homes.

However, as part of next year’s Government Plan, there will be further consideration of stamp duties and Land Transactions Tax, including a review of the stamp duty/LTT bands, and an update on the work to address stamp duty avoidance using “enveloped properties”.