

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2015 (P.129/2014): SECOND AMENDMENT

**Lodged au Greffe on 8th September 2014
by Deputy J.H. Young of St. Brelade**

STATES GREFFE

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PAGE 2, PARAGRAPH (a) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from taxation during 2015 shall be reduced by £277,000 by maintaining for the year 2015 the current reduced rates of stamp duty and land transaction tax for first-time buyers on properties up to a value of £450,000 and not removing this concession on 1st January 2015;”.

DEPUTY J.H. YOUNG OF ST. BRELADE

REPORT

The presentation of the Draft Budget 2015 changes for Stamp Duty is complex. It has been presented as a measure to assist home ownership but, in reality, I believe for first-time buyers of properties priced between £400,000 and £450,000, the tax proposals will have the reverse effect by imposing an effective tax rate of 11% on the excess value. This is a much higher tax rate than applied to purchases of very high-value properties and will distort the property market.

The Income Tax Department has confirmed that the amendment to the Stamp Duty/Land Transaction Tax (LTT) rates proposed in Article 11 of the Draft Finance (2015 Budget) (Jersey) Law 201- ([see P.141/2014](#)) only relates to the Stamp Duty/LTT charged on borrowing, not on the duty/tax charged on the purchase. The rates applied to the purchase are in item 13(b) of Part 1 of the Schedule to the Stamp Duties and Fees (Jersey) Law 1998 and paragraph 4 of the Schedule to the Taxation (Land Transactions) (Jersey) Law 2009.

For those qualifying for first-time buyer relief, Stamp Duty/LTT is charged on the purchase of residential properties at the following rates –

- 0% on the first £300,000
- 1% on the difference between the purchase price and £300,000.

One of the conditions that must be met in order to qualify for first-time buyer relief is that the cost of the property must be no more than £450,000 if bought before 1st January 2015, or £400,000 if bought thereafter under the Draft Budget 2015 proposals.

This maximum threshold for relief was £400,000 until the Minister for Treasury and Resources amended this figure in the 2012 Budget, to provide for a temporary 12 month increase in the limit to £450,000. This was extended by a further year in the 2013 Budget, and again in the 2014 Budget. If the Draft Budget 2015 is approved without amendment, the limit will automatically revert to £400,000 on 1st January 2015.

This tax payable on first-time buyer property purchases before and after the Draft Budget 2015 is shown in the following table –

(A) Present tax

£ Nil tax payable –	house value £300,000
£500 tax payable –	house value £350,000
£1,000 tax payable –	house value £400,000
£1,500 tax payable –	house value £450,000

(B) Tax from January 2015

£ Nil tax payable –	house value £300,000
£500 tax payable –	house value £350,000
£1,000 tax payable –	house value £400,000
£7,000 tax payable –	house value £450,000

(An increase of £5,500, an effective rate of 11% tax on the purchase price above the limit)

Financial and manpower implications

The amendment will reduce income from Stamp Duty and Land Transaction Tax by £277,000.