STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): SECOND AMENDMENT

Lodged au Greffe on 21st November 2022
by Deputy M.B. Andrews of St Helier North
Earliest date for debate: 12th December 2022

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): SECOND AMENDMENT

PAGE 2, PARAGRAPH (a) –

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

", except that the 2023 estimate for Stamp Duty shall be increased by £240,000, and the 2023 estimate for Land Transfer Tax (LTT) shall be increased by £160,000, by increasing Stamp Duty for buy to let investments, second homes and holiday homes at 4 percentage points above the normal rate for residential property"

PAGE 2, PARAGRAPH (c) –

After the words "Article 9(2)(b) of the Law" insert the words –

", except that a transfer of £2 million from the Consolidated Fund to the Dwelling Houses Loan Fund should be included for 2023 and subsequent years"

PAGE 2, PARAGRAPH (e) –

After the words "to the Report" insert the words –

", except that the General Reserve expenditure should be reduced by £1,597,000"

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2023–2026 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 ("the Law") and specifically –

(a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2023 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that the 2023 estimate for Stamp Duty shall be increased by £240,000, and the 2023 estimate for Land Transfer Tax (LTT) shall be increased by £160,000, by increasing Stamp Duty for buy to let investments, second homes and holiday homes at 4 percentage points above the normal rate for residential property;

(b) to approve the proposed Changes to Approval for financing/borrowing for 2023, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for

Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

(c) to approve the transfers from one States fund to another for 2023 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law, except that a new row should be inserted indicating a transfer from the Consolidated Fund to the Dwelling Houses Loan Fund of £2 million for 2023 and subsequent years;

(d) to approve each major project that is to be started or continued in 2023 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

(e) to approve the proposed amount to be appropriated from the Consolidated Fund for 2023, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report, except that the General Reserve expenditure be reduced by £1,597,000;

(f) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2023 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;

(g) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2023 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

(h) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2023 as set out in Appendix 2 – Summary Table 8 to the Report; and

(i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2023-2026, as set out at Appendix 3 to the Report.

REPORT

The Government Plan 2023-24 is proposing a surcharge of 3 percent to Stamp Duty on the purchase of properties that are acquired for any purpose other than to be used as a person's main residence such as buy-to-let properties, second homes, and holiday homes (the surcharge). I propose that this surcharge should instead be established at 4 percent.

I am also proposing that revenue from the surcharge be ring-fenced into the Dwelling Houses Loan Fund to be re-purposed to support first-time buyers enter homeownership through the proposed assisted home purchasing scheme as outlined in the Government Plan 2023-26.

Despite the need for private capital investment in housing to maintain the aggregation of rental dwellings, Jersey's housing market is in a position of partial market failure because market prices have been distorted in both rental and purchasing terms because of demand-pull inflation.

In simple terms, a stamp duty surcharge will be a demand-side constraint to parties who seek to purchase a second or additional residency. We need to bear in mind though, stamp duty surcharges will be accounted for in the sell-on price.

Due to Jersey deploying low-level taxation; the aggregation of income savings is more inclined to increase among upper wealth and income deciles who can invest more readily in housing. However, in some cases personal wealth is so abundant that there is no need to rely upon income savings prior to investment in housing.

Therefore, where wealth is abundant, investment in housing is more inclined to be seen because there are market incentives to generate an economic rent for investors who have sufficient savings to afford residential units as cash buyers or through obtaining a mortgage.

As highlighted by the Corporate Services Scrutiny Panel in its amendment to the Government Plan 2022 – 23,[1] scrutiny has previously found anecdotal evidence that suggested the demand for, and purchase of, buy-to-let properties by investors may be contributing to higher property prices, and also the availability of affordable properties for first time buyers.[2]

The proposed stamp duty surcharge of 4 percent will not deter all investors, however certain investors will be and as such the proposed stamp duty surcharge will be a demand-side constraint to provide first-time buyers with more opportunities to enter homeownership.

The current affordable housing purchase schemes are open to those who fit within eligibility criteria, although the only government advertised scheme at time of writing is the Andium Homebuy scheme.[3] The Government webpage notes *"The purchase schemes are run by private agencies and housing providers. Schemes become available at various times."* This amendment will enable government funding to aid in the

[1] P.90/2021 amd. (22)
[2] Report - Affordable Housing - Supply and Delivery Review - 10 November 2021 (S.R.14/2021) p.60
[3] https://www.gov.je/Home/RentingBuying/BuyersGuide/pages/housingpurchaseschemes.aspx

creation of further schemes buy ringfencing the additional revenue raised through the surcharge at a 4 percent rate.

It has been indicated to me by Officers that there are very few residential properties that are enveloped which are not share transfer properties and therefore subject to LTT, as such there will be minimal impact upon revenue gained through Enveloped Property Transaction Tax by this amendment. However, under this and the associated legislative amendment to the Draft Finance (2023 Budget) (Jersey) Law 202- (P.102/2022), the relevant rate will also be set at 4% in case this situation alters in the future.

Financial and manpower implications

Setting the Stamp Duty, Land Transfer Tax (LTT) and Enveloped Property Transaction Tax surcharge of buy to let investments, second homes and holiday homes at 4 percent has been forecast to raise £2 million in revenue, this compares to an anticipated £1.597 million if the originally proposed 3 percent is introduced, indicating an additional £400,000 in revenue raised by adoption of this amendment. As noted will be minimal impact upon revenue gained through Enveloped Property Transaction Tax by this amendment.

The General Reserve can be reduced by the originally anticipated £1.597 million revenue from the surcharge to allow the £2 million transfer to the Dwelling Houses Loan Fund to take place without risking the Consolidated Fund entering a deficit. This does hold risk that the General Reserve is not sufficient to cover unforeseen/urgent expenditure such as fluctuations in benefits expenditure, Covid-19, impact of parental leave on front-line services, hospital waiting lists and revenue growth. However, as these items do fluctuate I believe using the General Reserve is suitable for enabling the transfer to the Dwelling Houses Loan Fund for the purpose of approving the Government Plan.

I do not anticipate that there will be additional manpower implications.