

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): SECOND AMENDMENT (P.97/2022 AMD.(2)) – AMENDMENT (P.97/2022 AMD.(2).AMD)– COMMENTS

STAMP DUTY OF BUY TO LET INVESTMENTS, SECOND HOMES AND HOLIDAY HOMES

**Presented to the States on 8th December 2022
by the Council of Ministers**

STATES GREFFE

COMMENTS

Summary

Deputy Kovacs' amendment to Deputy Andrews' amendment (P.97/2022: second amendment) aims to increase the higher rate of Stamp Duty for additional properties from 4 percentage points (as proposed by Deputy Andrews) to 10 percentage points above current Stamp Duty rates for residential property. Such an unprecedented increase would not simply change purchasing habits but have an entirely unpredictable impact on the buy-to-let property market in Jersey.

The Council of Ministers does not support this amendment and urges Members to reject it.

As noted in a separate comments paper, the Council of Ministers also opposes the amendment lodged by Deputy Andrews, which this amendment would amend.

Economic impact

1. The Council of Ministers considered the economic analysis prepared by external economists to advise on the potential economic and social impacts of the higher rate of tax for buy-to-let, second homes and holiday homes.
2. The amendment states that the 3-percentage point surcharge will not have any tangible effect on buyers who can afford to purchase an additional property. However, the economic analysis suggests that the 3-percentage point surcharge may lead to a decrease in buy-to-let purchases, with a corresponding increase in owner occupiers.
3. In contrast, a 10-percentage point surcharge would almost certainly reduce the number of available rental properties as investment in those properties reduces. It may also simultaneously cause rent increases to offset the increased acquisition costs. A reduction in available properties to rent without a corresponding decrease in demand may also push up rents.
4. The Council of Ministers proposed that the higher rate of tax should be initially set at 3 percentage points, which was considered to strike a balance between achieving the policy objective while limiting the risks of any unintended upward pressures on rents. Conversely, the effect of this amendment would further distort Jersey's housing market, to such an extent that it is not possible to quantify the impact.

A rental market is necessary

5. Around 12% of Jersey's population are not able to purchase property in their own right.¹ Any measures that will impact the adequate supply of suitable and affordable rental properties therefore need to be carefully evaluated.
6. The table outlined in Deputy Kovacs' amendment highlights that demand outstrips supply for registered accommodation, with an additional 600 registered properties in demand where supply is unavailable.² Registered accommodation is available for individuals who do not hold any housing qualifications and are therefore not entitled to purchase property or lease any qualified property. It is these individuals who are

¹ Islanders with 'Registered' status can only occupy 'Unqualified/Registered' property in Jersey, while those with 'Entitled for Work' status can only buy property jointly with an 'Entitled' spouse or civil partner.

² [Jersey Opinions and Lifestyle Survey, Supply, demand and tenure, 2019 – 2021](#), Statistics Jersey

exclusively reliant on rental accommodation and will be significantly impacted by any changes to supply and affordability.

7. After this amendment was lodged, public representations were made emphasising that a healthy housing market required rentals and investors.³
8. The private rental sector is required to meet housing needs, as owner occupiers are unlikely to occupy all new housing due to high interest rates, affordability constraints, and lending standards.
9. Industry experts also highlighted that the recent increase in interest rates has had a significant impact on the number of Islanders who can afford to buy a property, with those unable to purchase relying on a stable private rental market.
10. Ministers consider that a 3-percentage point surcharge would be sufficient to increase owner occupiers without significantly distorting the private rental market.

Evidence from other jurisdictions

11. A surcharge of this level is unprecedented and arguably punitive. Evidence from the UK suggests that the introduction of a 3-percentage point surcharge on the purchase of additional properties has been somewhat successful in re-balancing the market towards owner occupiers.⁴ Since 2016, there has been a slow decline in the number of buy-to-let purchases, alongside an increase in owner occupier purchases.
12. However, the rate of increase in owner occupiers has not risen significantly. This is likely to be due, to a large extent, to affordability constraints for potential buyers as house prices continue to rise. In Jersey, these constraints are particularly high, meaning that properties are likely to remain unaffordable to many Islanders despite the increased supply that the surcharge may bring about.

House Price Index

13. The House Price Index, as referenced in the Amendment, tracks changes in average property prices and turnover on a rolling four-quarter basis. To avoid distortions, the Index excludes, among other categories, age-restricted properties, those sold via the Housing Gateway, and properties that can only be purchased by first time buyers.
14. The First-Time Buyer Market Index is calculated only using designated first-time buyer properties and those sold through the Housing Gateway. The figures in Table 10 of the report, as replicated in the amendment, do **not** include all first-time buyer purchases, and are not indicative of the scale of first-time buyer activity. To illustrate, while the amendment suggests only 121 properties were purchased by first time buyers in 2021, analysis confirms there were 382 purchasers who qualified for first time buyers' relief, equating to around 16% of all purchases.
15. Finally, the Loan Data does not include share transfer properties, which accounted for around 20% of total transactions in 2021. Share transfer properties have a higher proportion of first-time buyers, and, anecdotally, a higher proportion of share transfer transactions include a loan. It is not possible to quantify the total number of

³ [Stamp duty hike 'would kill off rental market'](#), Jersey Evening Post, 28 November 2022

⁴ Other measures include removing mortgage interest tax relief for rental properties, changes to wear and tear allowances and changes to the Capital Gains Tax regime.

transactions with which a loan is associated across Stamp Duty and LTT. However, the most recent report on ‘Jersey’s Future Housing Needs’ suggests that over 75% of all purchasers intended to buy by means of a mortgage.⁵

16. Therefore, the table in the amendment does not include all recorded residential property transactions, nor does it reflect the true state of the housing market in Jersey. For Members’ information, the table in the Appendix uses **all** residential property transactions.

Revenue from higher rate

17. The proposed Government Plan outlines that the 3-percentage point surcharge would generate an additional £1.597m. Adjustments to this modelling suggest that this figure is likely to be closer to £4.6m. Updated forecasts are contained in [Amendment 25](#) to the proposed Government Plan.
18. As stated in the Deputy’s amendment, it is not possible to quantify potential revenue from this amendment due to the behavioural impact. The figure of ‘up to £15 million’ in 2023 as forecast in the amendment cannot be verified.

Conclusion

19. At this stage, it is not possible to forecast the impact that such a measure would have on the housing market. At worst, the surcharge could drastically reduce the number of available rental properties, limiting supply in the face of increasing demand, while affordability constraints leave properties vacant as owner occupiers struggle to get on the housing ladder. It could also precipitate a significant contraction of activity in the housing market by deterring potential investors.
20. The Council of Ministers agrees that money alone will not solve our housing problems. The Common Strategic Policy 2023-2026 sets out measures to be implemented that will support homeownership, while ‘Action on Vacant Homes’ seeks to make the most of existing housing stock. The Stamp Duty Review will consider whether changes to existing legislation could be made to better support housing needs. In the meantime, a 3-percentage point surcharge will act alongside these measures to support owner occupiers while ensuring that the rental market remains stable for tenants.

Re-issue Note

These comments have been re-issued to include the Appendix.

⁵ [Jersey’s Housing Assessment \(gov.je\)](#)

Appendix – Property transactions by value in the years 2018-2021

Price band	2018	2019	2020	2021
< £200,001	224	205	151	164
£200,001 - £300,000	272	337	224	188
£300,001 - £400,000	363	410	369	383
£400,001 - £500,000	311	291	282	357
£500,001 - £600,000	288	262	255	251
£600,001 - £700,000	177	146	199	238
£700,001 - £800,000	100	119	124	165
£800,001 - £900,000	84	70	88	104
£900,001 - £1,000,000	45	57	41	83
£1,000,001 - £1,500,000	98	96	121	194
£1,500,001 - £2,000,000	43	38	52	92
> £2,000,000	40	34	51	98
Total	2,054	2,065	1,958	2,316
First Time Buyers	327	371	346	382