

STATES OF JERSEY



BUDGET 2008 (P.164/2007): AMENDMENT (P.164/2007 AMD.)– COMMENTS

**Presented to the States on 3rd December 2007
by Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

The Minister for Treasury and Resources opposes the amendment of Deputy Breckon.

The current bands and Stamp Duty rates for property transactions were last changed in the Budget 2004. These duty rates were then agreed to be applied with certain exceptions to Wills of Immoveable Property as part of the proposals in the Budget 2005 as well as to normal freehold property transactions.

The proposals from Deputy Breckon are to increase the rate of Stamp Duty on Property transactions over the value of £1 million, and would also apply to Wills of Immoveable Property, as shown below.

Property Value (£)	Current Duty Rate (%)	Proposed Duty Rate (%)
0 – 50,000	0.50	0.50
50,001 – 300,000	1.50	1.50
300,001 – 500,000	2.00	2.00
500,001 – 700,000	2.50	2.50
700,001 – 1,000,000	3.00	3.00
1,000,001 – 2,000,000	3.00	4.00
> 2,000,001	3.00	5.00

The brief report of Deputy Breckon refers to the potential additional revenue that could be raised of £3.5 million. It should be stressed that this figure is a simple extension applying the proposed rates to the last 2 years' transactions. This obviously takes no account of the possible effect on the local housing market.

The Minister for Treasury and Resources is of the view that any significant changes to taxation and duty rates should be carefully researched and considered, and where appropriate consulted upon and referred to Scrutiny.

In terms of the financial and economic effects, changes in stamp duty tend to have complicated impacts which are by no means certain. It does put up the cost of purchasing the houses concerned, but how that feeds through into the housing market should also be given detailed consideration. It cannot be said with certainty that there will be no impact on properties below the £1 million sale price. Given the current strength of the housing market it is important that any policy change that impacts on the housing market is fully thought through. In addition, while the majority of Islanders may not purchase houses worth more than £1 million, we are all dependent on the inflow of key professional people and wealthy residents. Due consideration needs to be given as to what the impact would be on such people and the cost of locating to or remaining on the Island.

The proposals may well have a particular effect on commercial property where the transactions are perhaps more likely to be in the range of the proposed increase from 3% to 5% and provides another argument for proper consultation.

The Minister for Treasury and Resources would recommend that a process of research and consultation be undertaken before the changes proposed in this amendment and the more significant changes proposed for stamp duty on probate are considered by the States. It is therefore suggested that this amendment should at least be deferred for consideration at a later date, but since that would be too late for the current Budget debate, then it should be rejected. This will ensure that after proper public consultation and scrutiny there can, if necessary, be an informed debate and that in the meantime there are no unintended financial, economic or social consequences of these proposals.

As a result the Minister would recommend that this amendment is rejected.