

# Stamp duty: A snapshot of homeowner sentiment towards the tax

**By: Alpa Bhakta, CEO, Butterfield Mortgages Limited**

Stamp Duty Land Tax (SDLT) has been one of the most talked about stories in the property sector over the past 18 months. A near-constant matter of debate among industry commentators, SDLT has been garnering much broader attention since the introduction of the tax holiday in July 2020.

Unveiled by the Chancellor to stimulate activity in the market as the country emerged from the first lockdown last spring, the initiative offered potential tax savings to property buyers of up to £15,000. Its impact was immediate and significant, with data from the London School of Economics revealing the tax break generated 140,000 'extra' transactions in the UK mortgage market in the first year alone.

Further, the stamp duty holiday has been credited to contributing to the stronger-than-expected house price growth during a time of economic turbulence. Figures from the Office for National Statistics show UK average house prices increased by 11.8% in the year to September 2021—they were continuing to rise even as the tax holiday tapered out.

Now, as the dust settles on the initiative and the market readjusts slightly, there are bigger questions surrounding stamp duty. Namely, how could the Government balance its need for healthy tax receipts against the property industry's demand for an active, vibrant market.

Indeed, we must consider that even with the tax break in play, HMRC's overall income from stamp duty in 2021 has been buoyed by the uptick in transactional activity. The total stamp duty revenue in the first ten months of 2021 was £10.2 billion, higher than the same period in both 2019 (£9.5 billion) and 2020 (£6.6 billion).

## So, what next?

To dig deeper into the current sentiment towards SDLT, Butterfield's UK mortgages team recently commissioned an independent study among 1,125 homeowners in England and Northern Ireland (NI). We delved into their view on the current stamp duty system, as well as their perspectives on how the tax should evolve next.

The results of our survey uncovered a strong desire from respondents for the tax to be modernised. It found that over half (58%) want to see an overhaul of stamp duty, calling it "outdated", while two thirds of homeowners (67%) believe the Government should come up with a fairer system to tax property transactions or home ownership.



Evidently, with stamp duty having been placed into the media limelight over the past 18 months, we can see how strong the appetite is for there now to be more radical, permanent changes made.

For example, our research revealed a desire for environmental considerations to factor into the current property taxation system, with 36% of respondents in favour of the introduction of a SDLT surcharge for properties that are less energy efficient. Many homeowners also conveyed a strong opposition towards inheritance tax on real estate, with three in five (62%) saying inheritance tax should be scrapped for properties that are passed down after someone's death, given SDLT was already paid at the point of purchase.

I have written about the relatively fluid nature of SDLT before, including these pieces in Bloomberg (December 2020 and March 2021) —it has been subject to continuous change in its bands, rates and surcharges; if anything, the recent tax breaks have further evidenced its evolving nature, placing its potential to be reformed firmly in the limelight.

As the market finds a new equilibrium, it will be interesting to see whether a modernisation of stamp duties could be on the horizon in the months or years to come. What we can say from our research into the issue is that the appetite for change is certainly there.

*Alpa Bhakta, CEO Butterfield Mortgages Limited. "The views presented in this article are the authors' and do not necessarily reflect those of [the Bank of N.T Butterfield and Son Limited / Butterfield Mortgages Limited] or any of its affiliates."*