



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Sajid Javid MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

21 August 2019

Dear Sajid,

**Stamp Duty**

I am writing to you regarding Stamp Duty Land Tax, which is an area of Government policy that I believe needs urgent review.

As you will know from your tenure as Secretary of State for Housing, Communities, and Local Government, there has been a much-needed focus in recent years on increasing the rate of house-building. While there is still much more to be done, this continued focus is starting to bear fruit. The latest figures show that there were 246,000 new build homes over the last year in England. This is a 9.3% increase on the previous year, and more than double the 2010 figure.

However, I am concerned that one aspect relating to the Treasury's handling of housing policy has been overlooked - the issue of stamp duty. Undoubtedly, the more progressive "slice" system introduced through the 2014 reforms has made stamp duty fairer and more equitable, meaning that 90 per cent of properties are cheaper. In addition, the more recent 2017 reforms mean that 340,900 first-time buyers have been helped with relief from stamp duty. Both of these measures are to be welcomed.

Unfortunately, as part of the 2014 reforms, punitive rates were imposed on properties over £937,500. These rates have resulted in lower revenue for the Treasury, which in turn means less money for our vital public services. Stamp duty receipts fell by 9.8% in 2018. In October 2018, the OBR forecasted a £3.8 billion shortfall in property transaction tax receipts from 2018 to 2023. This forecast has since deteriorated, with the OBR forecasting an additional £2.7 billion shortfall as of March 2019. The London market in particular has taken a hit due to the new punitive rates, including my constituency of Chelsea and Fulham, where £937,500 buys a three-bedroom flat. Transactions in my constituency have fallen by a staggering 31% since the 2014 reforms.

In the lead-up to Budget 2018, I ran a call for evidence for my constituents and local estate agents. Five clear themes emerged from the responses that I received



First, the punitive rates disincentivise those looking to downsize. Fewer homes are available for those wishing to expand their families, and instead the rate of unoccupied bedrooms increase.

Second, prospective buyers become overly conservative - continuing to rent rather than face the prospect of an extremely high stamp duty payment.

Third, through discouraging moves into more productive or better-paid jobs, the punitive stamp duty rates act as a tax on social and regional mobility.

Fourth, it leads to families buying smaller second homes on other parts of the country, rather than moving into larger primary properties. A four-bedroom house in London may well cost in excess of £150,000 in stamp duty. By contrast, a two-bedroom cottage in Cornwall would attract a stamp duty payment of only £3,600. A family that made such a decision would have more space across the two properties. However, this is not necessarily socially desirable and the trend might do little to help the rural communities where second homes are usually purchased.

Fifth, the higher stamp duty rates can encourage over-ambitious home extensions, which can frequently be seen as anti-social. Basement excavations, for example, often cause friction amongst neighbours. This also turns large parts of the country into building sites. A home extension would likely cost less than the stamp duty payment on a four-bedroom house. However, it adds real value to the home, and not money to the Exchequer.

Given the falling revenue as a result of the punitive rates introduced through the 2014 reforms, I hope that you will look at stamp duty in the lead-up to Budget 2019. Home ownership in the UK is amongst the lowest in Europe. Reducing the highest threshold, or restructuring the tax altogether, will doubtless bring forth numerous benefits.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Greg Hands', with a stylized flourish at the end.

**The Rt Hon Greg Hands MP**  
Member of Parliament for Chelsea and Fulham