

## How the Stamp Duty Land Tax holiday and rules have impacted the property market.

The government move of raising the stamp duty threshold from £250,000 to £500,000 until March 2021, along with the stamp duty holiday are set to improve the property market in the wake of the pandemic. But to what extent and impact has and will the new rules have on buyers?

The old rules were widely unpopular and created marginalised prices whereby homes were either sold below or above thresholds so that they were either undervalued or overvalued creating distortion. With immediate effect, buyers in the UK are exempt from paying stamp duty on properties worth £500,000 or less. The Chancellor has stated the change will affect around 90% of buyers, and will save each buyer an average £4,500.<sup>1</sup>

This does not include buy-to-let and second home buyers, however, the increased threshold does benefit high-end buyers who could also enjoy a considerable saving of up to £15,000. The overall impact has been positive to the property market. According to Rightmove, listings increased by 22%. Immediately after the Chancellor confirmed the £3.8bn tax break, estate agents have also experienced a boost in activity.<sup>2</sup> The tax holiday altogether creates a greater incentive for previously reluctant first time buyers to now purchase their first home.

On the surface the change has been positive for the property market, especially in London and in more expensive areas where the average first home costs £415,000, meaning buyers could potentially save £5,750.

However, the downside of the situation is that most mortgage lenders will not currently lend more than 80% percent of the purchase price. This means first-time buyers will need to provide a 20% deposit, rather than the 10% or 5% required before the pandemic— a gap not bridged by a stamp duty saving of £5,750. Further, the stamp duty holiday may persuade sellers to increase house prices believing buyers have spare money to spend. There may also be a disadvantage to first time buyers as the specialisation of first-time buyer benefit is removed, and now investors and other buyers are on a level playing field to compete for same priced homes and benefit from 0% tax. However, Savills optimistic view suggests that any level of increase in the property market during the difficult time of the pandemic is beneficial for first time buyers by freeing up homes.<sup>3</sup>

The impact of the stamp duty cut and the government announcing foreign buyers to pay a further 2% surcharge April 2021 is also likely to add a further incentive for international buyers from places such as from Hong Kong and China, who perceive the London market as a safe haven for property investment.

Overall, the stamp duty holiday has so far been the saviour needed to lift the property market from the uncertainty following the pandemic, and as such many hope that the temporary benefit can lead to a future reform *"to reduce the distortive effect SDLT has on property markets and maximise any stimulus the Government plans to provide to the UK economy"*.<sup>4</sup>

1. <https://www.buyassociation.co.uk/2020/07/09/stamp-duty-cut-how-it-affects-buy-to-let-second-homes-and-limited-companies/>
2. <https://www.theguardian.com/business/2020/jul/08/stamp-duty-holiday-revive-housing-market-summer-statement-property>
3. <https://nethouseprices.com/news/show/1712/what-have-the-new-stamp-duty-rules-done-for-house-prices>
4. <https://thenegotiator.co.uk/the-stamp-duty-effect-bubble-or-bounce/>



### **NICHOLAS MAESTRI - Head of Property**

Nicholas is a highly regarded residential property lawyer, specialising in Ultra High Net Worth and High Net Worth client portfolios within the London Property Market.

He has held partner positions in excess of twenty years.

#### **CONTACT**

Bargate Murray  
44 Worship Street  
London EC2A 2EA

[www.bargatemurray.com](http://www.bargatemurray.com)

T: +44 (0)20 7375 1393

E: [yachtgroup@bargatemurray.com](mailto:yachtgroup@bargatemurray.com)

[aviationgroup@bargatemurray.com](mailto:aviationgroup@bargatemurray.com)

[propertygroup@bargatemurray.com](mailto:propertygroup@bargatemurray.com)