

**Rebecca Evans AS/MS**  
Y Gweinidog Cyllid a'r Trefnydd  
Minister for Finance and Trefnydd



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: RE-470-21

Llyr Gruffydd MS  
Finance Committee Chair  
Senedd Cymru  
Cardiff Bay,  
Cardiff.  
CF99 1NA

2 February 2021

Dear Llyr,

Please find attached a note on Land Transaction Tax (LTT) non-residential rates and thresholds. I agreed to provide this to the Finance Committee during the evidence session on the Land Transaction Tax Statutory Instrument on 8 January.

I will place a copy in the Senedd's library.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style.

**Rebecca Evans AS/MS**  
Y Gweinidog Cyllid a'r Trefnydd  
Minister for Finance and Trefnydd

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1NA

[Correspondence.Rebecca.Evans@gov.wales](mailto:Correspondence.Rebecca.Evans@gov.wales)  
[Gohebiaeth.Rebecca.Evans@llyw.cymru](mailto:Gohebiaeth.Rebecca.Evans@llyw.cymru)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

## Land Transaction Tax – Non-residential rates

The Welsh Government has already taken decisions, approved by the Senedd, to provide the most progressive non-residential tax bands and rates of the UK property transaction taxes.

When the Land Transaction Tax (LTT) non-residential rates were set by the Welsh Government, and approved by the Senedd in early 2018, they included a top tax band of 6% applied on consideration greater than £1,000,000. The tax charged on Stamp Duty Land Tax (SDLT) at that point was and remains 5%.

In December 2020, the Welsh Government increased the threshold for the non-residential zero rate tax bands from £150,000 to £225,000. This further enhances the progressivity of the non-residential LTT regime. Welsh non-residential property taxpayers now pay the least tax on transactions up to around £1.1million and the most tax on transactions above that point.

The table below sets out the tax payable on the purchase of a freehold non-residential property at five different price points; £250,000, £500,000, £1,000,000, £5,000,000 and £10,000,000, demonstrating the progressive nature of the tax charged under LTT. Different rates apply to the taxation of rents payable on the grant of a lease.

**Table: Example non-residential property tax liabilities for LTT<sup>1</sup>, SDLT and LBTT**

Transaction value	LTT	SDLT	LBTT
£250,000	£250	£2,000	£1,000
£500,000	£12,750	£14,500	£13,500
£1,000,000	£37,750	£39,500	£38,500
£5,000,000	£157,750	£139,500	£138,500
£10,000,000	£577,750	£489,500	£488,500

1. Rates as applied from 22 December 2020

The Welsh Revenue Authority statistics for land transaction tax (LTT) show in 2019-20 there were 320 non-residential transactions with a taxable value of over £1m of consideration other than rent. Of these, the average value is £3.9m. Of the 320 transactions, 50 were for £5m or more with an average value of £14.9m. These generated £25.7m of tax. Further breakdowns with higher values are not available due to data confidentiality.

In the current financial year to November, there have been 150 transactions for £1m or more, with an average value of £4.1m. There are no further breakdowns by value with the in-year data.

Not all of these transactions will have been liable to pay tax, as some are likely to have been relieved from tax due to the nature of the transaction, for example where ownership of a property is moved within a corporate group. The WRA publishes a breakdown of relief claims<sup>1</sup>.

<sup>1</sup> Breakdown of relief claims - [https://statswales.gov.wales/Catalogue/Taxes-devolved-to-Wales/Land-Transaction-Tax/landtransactiontaxstatistics-relief-by-measure-transactiontype?\\_ga=2.198135919.1734435811.1610710259-189915251.1610119444](https://statswales.gov.wales/Catalogue/Taxes-devolved-to-Wales/Land-Transaction-Tax/landtransactiontaxstatistics-relief-by-measure-transactiontype?_ga=2.198135919.1734435811.1610710259-189915251.1610119444)

Outturn data suggests a 1 percentage point increase to the LTT rates on the value of transactions over £5m might raise between £1m and £5m each year – although behavioural effects would be uncertain and the number of high value transactions is liable to vary substantially from year to year. A 1 percentage point increase to the LTT rates on the value of transactions over £20m would be unlikely to raise significant additional revenue.

Increases in tax rates for these more expensive transactions would be expected to reduce both the prices and the number of transactions. The Office for Budget Responsibility's current central assumptions on these behavioural effects are that a 1 percentage point increase in the tax rate would reduce transactions by around 5% and prices by around 2%<sup>2</sup>. However, there remains a significant degree of uncertainty around these estimates.

Land transaction tax statistics are available from StatsWales:

<https://statswales.gov.wales/Catalogue/Taxes-devolved-to-Wales/Land-Transaction-Tax>

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<sup>2</sup> These are published by the OBR here;

<https://obr.uk/download/residential-stamp-duty-land-tax-elasticities-forecast-evaluation-report-october-2017/>