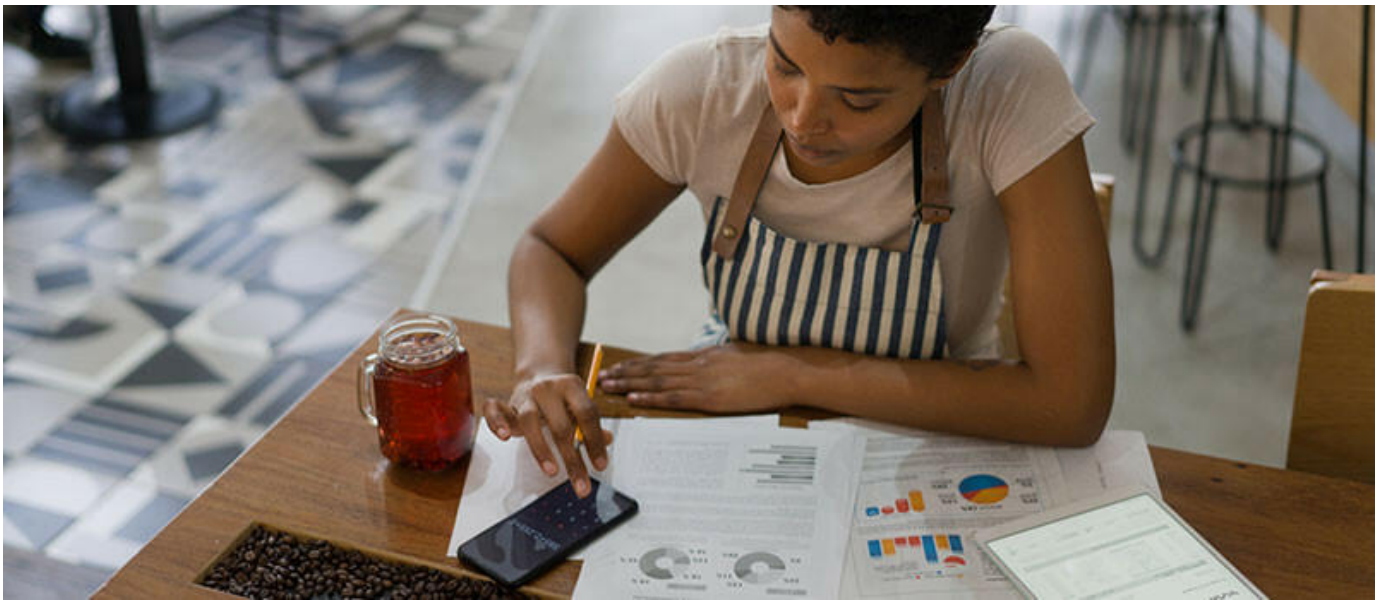
Welsh land transaction tax consultation

OMB | Personal tax | Large Corporate | Property Tax



18 June 2024

The CIOT responded to the Welsh government's consultation on land transaction tax following the Spring Budget announcement of the abolition of stamp duty land tax multiple dwellings relief.

The Welsh government recently consulted on proposals to abolish land transaction tax(LTT) multiple dwellings relief (MDR) following the UK government's decision to abolish the equivalent relief for stamp duty land tax (SDLT). Abolition of SDLT MDR without further action by the Welsh government is estimated to reduce the Welsh block grant by £8 million a year.

In our joint response with the Stamp Taxes Practitioners Group, we noted that the design of LTT was guided by the desire to align with the SDLT framework as far as possible, subject to specific Welsh circumstances and priorities. Retention of LTT MDR in Wales could add complexity for transactions involving properties in both jurisdictions, particularly as familiarity with SDLT MDR reduces.

In terms of acquisitions by private individuals, anecdotally our members point to experience of approaches by individual buyers who suggest an MDR claim or reclaim in circumstances where a claim is sometimes without merit. Similarly, we are aware that reclaim firms advocate refunds based on contested interpretations of the law with little or no warning as to the risks involved in relation to SDLT and LTT. This activity adds costs and complexity to the LTT regime for all stakeholders contrary to the principles of clarity, stability and simplicity.

For transactions involving commercial portfolios of residential property, where the higher rates apply, abolition of LTT MDR should have minimal impact, assuming the six or more dwellings rule remains in place. However, for those portfolio transactions where the higher rates do not apply, most commonly purpose built student accommodation, abolition of LTT MDR will increase the LTT liability potentially quite significantly. We therefore suggested that the nature and value of LTT MDR claims are evaluated to ensure that abolition does not lead to unintended consequences for wider Welsh government policies.

We said that the effect of withdrawing the six or more dwellings rule is potentially far more significant in terms of increased LTT liability than the effect of the abolition of LTT MDR. The additional LTT cost will be a further factor (alongside different planning conditions) for UK wide developers to consider when deciding whether to invest in Wales or in England.

Other proposals

The consultation proposal to extend the current LTT relief for acquisitions by registered social landlords to acquisitions by local authorities in Wales provides an opportunity to clarify areas of uncertainty in the application of the current relief.

We raised three further areas where the application of the LTT code could be clarified or evaluated. These are charities relief, Islamic finance and the anti-avoidance rule in a case of a grant of a lease to/from a bare trustee.

The full CIOT response is available here: www.tax.org.uk/ref1323

Kate Willis *kwillis@ciot.org.uk*