

By 19 May 2024

Respond to:

LTT.Reliefs.Consultation@gov.wales



Welsh Government consultation: ICAS response



ICAS response to The Welsh Government's consultation on 'Proposed Changes to Land Transaction Tax Reliefs'

About ICAS

1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 23,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 10,000 of our members are based in Scotland and 10,000 in England. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its six technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.

General comments

3. ICAS welcomes the opportunity to feed into this Welsh Government consultation on the proposed changes to Land Transaction Tax reliefs. We understand the objective of the consultation is to obtain feedback on three key proposals: The first proposal is to abolish LTT Multiple Dwellings Relief (LTTMDR). This action appears to be a response to the abolition of SDLT MDR relief with effect from 1 June 2024 (transitional provisions apply), which results in a net loss of around £8m in block grant and consequential to Wales if the Welsh Government does not follow the same course of action. We understand that there may be agricultural sector anomalies arising from the withdrawal of SDLT MDR which might yet need to be ironed out.
4. The second proposal is to allow for the MR relief to be extended to Local Authorities in Wales.
5. A third intention being proposed is to re-classify the purchase of more than six dwellings from non-residential under LTTADT(W)A 2017 section 72(9) to residential.

Specific Responses to Questions

ICAS comments as follows:

Question 1: Do you agree the proposal to abolish LTT MDR set out in the consultation aligns with the Welsh government's principles?

ICAS considers that the withdrawal of the relief will achieve two main objectives:

1. The losses which the Welsh government will be likely to sustain as a result of block grant funding reductions will be likely to be mitigated either wholly or to a great extent;

2. The complexity of the legislation around LTTMDR will be reduced.

Both factors will uphold the Welsh government's policy intentions in terms of stability and clarity for the taxpayer, especially for those purchasing properties across England and Wales. Possible unintended consequences may manifest themselves around investments where the abolition of MDR is combined with the proposals around changing the six-dwelling rule, which we discuss below. This would increase the cost to investors by a significant margin.

Question 2: Do you think the abolition of LTT MDR will negatively impact the private rented sector in Wales?

Once the Welsh government's review of LTTMDR data sets is concluded, this question should ideally be considered again. If the objective is to attract up investment, the policy objective must be weighed against the available data findings at that time. It may be that as a standalone policy, the market will not be negatively affected. However, if it is tied in with the proposal to combine it with the changes to the six-dwelling rule, other considerations need to be considered before a sustainable decision can be reached.

Question 3: Do you think the abolition of LTT MDR will negatively impact any others in Wales?

It may be that the duality of the abolition of MDR together with the proposals to change the six-dwelling rule will have a wider impact.

Question 4: Do you agree the proposal to abolish the 6 dwellings rule, alongside the abolition of LTT MDR, would align with the Welsh Government's tax principles?

ICAS considers that changes to the six-dwelling rule will have the effect of differentiating between the UK SDLT regime, where the 6-dwelling rule remains in place. The danger with this, as we have witnessed in Scotland on certain devolved taxes matters is that it creates confusion amongst taxpayers, there is a likelihood of increased tribunal claims which plead unfairness (not a defence but nevertheless taking up valuable Tribunal time and resource as well as that of the taxpayer and the WRA), and there is an increased risk of tax competition and so-called "tax tourism" (i.e. behavioural effects).

Question 5: Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would discourage or prevent buyers from entering into multiple-dwelling transactions?

ICAS considers that changes to the six-dwelling rule may indeed change taxpayer behaviours. Whilst increased yield is likely from the transactions that do occur, on a per transaction basis, there may be a proportionate reduction in transactions as a result of the changes. If Wales wishes to increase availability of housing stock for its citizens, this may act as a deterrent.

Question 6: Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would negatively impact the private rented sector in Wales?

ICAS cannot comment on the possible impact on private rented sector markets other than to repeat the comments we have made above in response to other questions. We note however that in Scotland, from 1 April 2024, Local Authorities will receive full relief from both LBTT and ADS where they are acquiring affordable housing under section 2 of the Housing (Scotland) Act 1987 or where the purchase is funded by a grant under section 2 of the Housing (Scotland)

Act 1988 as a result of the changes made in that jurisdiction in respect of Local Authorities by the Scottish Parliament, and this change has been welcomed because it is generally perceived to have corrected a long-standing anomaly, providing uniformity between social landlords who received relief, and Local Authorities, who did not.

Question 7: Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would negatively impact others in Wales?

ICAS is not able to comment on this other than to say that a review should be undertaken to ensure that all taxpayers receive parity of treatment.



CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH
+44 (0) 131 347 0100
connect@icas.com
icas.com

 @ICASaccounting

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