

Consultation Response

To: Her Majesty's Revenue and Customs

Subject: Stamp Duty Land Tax (SDLT): Mixed-Property Purchases and Multiple Dwellings Relief

By: The Intergenerational Foundation

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The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Introduction

The Intergenerational Foundation (IF) is pleased to have the opportunity to respond to the public consultation on changes to the way in which tax is calculated when purchasers acquire property that is mixed property (meaning it comprises both residential and non-residential property), and options to reform the SDLT treatment of property purchases that include more than one dwelling (Multiple Dwelling Relief rules).

Since it was formed in 2011, IF can claim to have played an important role in leading the debate about intergenerational fairness in the UK – particularly with regard to the housing crisis, which has been one of our major areas of work – and we are regularly consulted by the media and policy-makers to give our expertise on this issue.

Overall, IF believes that intergenerational fairness should be central to taxation policy in order for all generations to be treated equitably by the taxation system. This is particularly important in policy areas where significant amounts of tax are paid such as with the purchase of property. IF believes that it cannot be intergenerationally “just” if younger generations of first-time buyers, who are already having to pay much higher prices for housing compared to previous generations, also have to pay a disproportionately higher level of SDLT in England compared to other types of buyers, such as buy-to-let property investors, commercial purchasers, international purchasers or purchasers of mixed-properties who tend to be members of older generations.

1. Apportionment of mixed-property purchases

IF believes that in principle, the introduction of “apportionment” for mixed-property purchases would make the taxation of housing more equitable between older and younger buyers of residential housing as it will be largely older generations buying larger properties with land who would stand to reduce their SDLT obligations most.

Apportionment would allow for higher tax surcharges from The Higher Rates of Additional Dwellings (HRAD) and Non-UK Residential SDLT Surcharges (NRSDLT) for residential purchases.

IF is open-minded over how “apportionment” is designed, however it would be intergenerationally unfair if, for example, a young artist in a live-work studio, is charged the same in HRAD as the purchasers of, for example, a manor house with cows grazing in their fields.

2. Multiple dwellings relief (MDR)

Younger buyers would still be at a tax disadvantage to purchasers of six or more dwellings as these buyers would continue to pay tax at the non-residential property rates on the whole of the purchase.

IF would therefore call for the reform of the “six or more rule”, so that multiple property purchasers cannot claim Multiple Property Relief (MPR) and would ensure that buyers pay the same rate of tax as other residential buyers, particularly first-time buyers.

Such action would have another beneficial effect for younger generations in that it would make housing investment a less attractive option to largely older generations of property speculators and could also slow house price inflation for younger generations.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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