

The Stamp Duty Land Tax

Juan Castellanos

Bank of England

Andrew Hannon

European Central Bank

Gonzalo Paz-Pardo

European Central Bank

March 13, 2025

Disclaimer: The views expressed in this presentation are our own and do not necessarily reflect those of the Bank of England, its committees, the European Central Bank nor the Eurosystem.



Recent history: the Covid SDLT holidays

- General Rates

- * On 8 July 2020, the SDLT holiday was introduced. This raised the nil rate band for SDLT to £500,000 for the purchase of residential properties.
- * The SDLT holiday continued until 30 June 2021, after which time the nil-rate band reduced to the first £250,000 of the purchase price until 30 September 2021.
- * Beyond this date the nil-rate band reverted to the first £125,000 of the purchase price.
- * In **September 2022**, the SDLT nil-rate band was increased from £125,000 to £250,000.

- First Time Buyers Relief

- * First introduced in November 2017 and applied to purchases of dwellings for £500,000 or less.
- * In **September 2022**, the FTBR nil-rate band threshold and purchase price limit increased from £300,000 and £500,000, to £425,000 and £625,000, respectively.
- * From 1st April 2025, as legislated in the **SDLT (Temporary Relief) Act 2023**, all three of these figures will revert to pre-September 2022 levels

- Higher Rates on Additional Dwellings (HRAD) surcharge

- * HRAD surcharge was announced to increase from 3% to 5% from 31 October 2024

Tax Rate Brackets: The reversion after the Covid holidays

	Up to March 31st, 2025	From April 1st, 2025
	<i>General Rates</i>	
≤ £125,000	0%	0%
£125,001 – £250,000	0%	2%
£250,001 – £925,000	5%	5%
£925,001 – £1,500,000	10%	10%
> £1,500,000	12%	12%
	<i>First Time Buyers Relief</i>	
≤ £300,000	0%	0%
£300,001 – £425,000	0%	5%
£425,001 – £500,000	5%	5%
£500,001 – £625,000	5%	DOES NOT APPLY
> £625,000	DOES NOT APPLY	DOES NOT APPLY
	<i>More than one property</i>	
Additional rate	+5%	+5%

What changes in the model?

- Housing State, $s = \{h, \tilde{h}\}$

	Number of houses	Quaility/Size
<i>Renter</i>	$h = 0$	$\tilde{h} = \tilde{h}_1$
<i>Homeowner</i>	$h = 1$	$\tilde{h}_{oo} \in \{\tilde{h}_1, \tilde{h}_2, \tilde{h}_3\}$
<i>Landlord</i>	$h = 2$	$\tilde{h}_{oo} \in \{\tilde{h}_2, \tilde{h}_3\} \parallel \tilde{h}_{btl} = \tilde{h}_1$
	$h = 3$	$\tilde{h}_{oo} = \tilde{h}_3 \parallel \tilde{h}_{btl} = \tilde{h}_1$

- Stamp duty tax

$$c + a' + p(\tilde{h}')h' + \mathbb{1}_{sell}\kappa^h p(\tilde{h})h + \mathbb{1}_{buy} \left(\tau^h(s) + \kappa^h \right) p(\tilde{h}')h' + \delta^h p(\tilde{h})h \leq \quad (1)$$

$$y + (1 + r(1 + \mathbb{1}_{a' < 0}\mu)) a + p(\tilde{h})h + p_r(h - 1) + T$$

- Government

$$T = \tau^h(s)p(\tilde{h})h' \quad (2)$$

Effective Tax Rates in the Model

- Assume that $p(\tilde{h}_1) = £400,000$, $p(\tilde{h}_2) = £600,000$, $p(\tilde{h}_3) = £800,000$ which would help us pin down the housing quality values $\tilde{h} \in \{\tilde{h}_1, \tilde{h}_2, \tilde{h}_3\} = \{\tilde{h}_1, 1.5 \times \tilde{h}_1, 2 \times \tilde{h}_1\}$

	Up to March 31st, 2025		From April 1st, 2025	
	Upsizing / Downsizing			
$s' = 2$	£7,500	1.875%	£10,000	2.5%
$s \neq 5, s' = 3$	£17,500	2.92%	£20,000	3.33%
$s \notin \{6, 7\}, s' = 4$	£32,500	3.61%	£35,000	3.89%
	First Time Buyers			
$s = 1 \rightarrow s' = 2$	£0	0%	£5,000	1.25%
$s = 1 \rightarrow s' = 3$	£8,750	1.46%	£20,000	3.33%
$s = 1 \rightarrow s' = 4$	£32,500	3.61%	£35,000	3.89%
	Buy to Let Investors			
$s \neq 2, s' > 6$	£27,500	6.875%	£30,000	7.5%