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Budget 2020: Property industry reactions to the non-resident Stamp Duty surcharge & more

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Chancellor Rishi Sunak confirmed today that non-UK residents will face a 2% Stamp Duty surcharge on residential property purchases from April next year.

This policy was not unexpected, having been floated by Theresa May in 2018 and resurrected in Boris Johnson's election manifesto. It's designed to raise around £120m a year to help tackle homelessness.
Lots of other stuff was announced in this year's Budget but, as you might expect, Stamp Duty seems to be occupying the thoughts of the prime residential property industry…

- *Read more about what was announced the Budget 2020 on PrimeResi **here***

Prime Resi industry reactions to the Budget 2020

The timing is dreadful for a tax increase for overseas buyers in the UK

- **Hannah Aykroyd, founder, Aykroyd & Co**

“The timing is dreadful for a tax increase for overseas buyers in the UK. With the UK facing the biggest financial threat in more than a decade amid fears the COVID-19 epidemic could cause global recession, the Government should be putting in place more measures to attract foreign investment.

“The Bank of England dropped interest rates this morning to an historic low ‘to prevent a temporary disruption from causing longer-lasting economic harm’, and the budget includes a number of laudable measures to support UK business and infrastructure through this tricky time.

“We couldn’t agree more that the disruption will be temporary, and the long-term forecast for the UK, London, and the PCL property market is robust. Overseas investment is key to that future, and so it is disappointing to see the Government putting in place an increase in SDLT for non resident buyers.

“At this tender stage of recovery in the London property market, any SDLT tax increase is a threat. And the 2% increase is significant. The new 2 percentage point stamp duty land tax surcharge on top of the existing surcharge for those buying a second property brings the highest rate to a staggering 17%.

“In the angst over Brexit and now COVID-19, it is sometimes forgotten that the decline in PCL prices came in 2014, with the increase in SDLT – well before the 2016 Brexit vote. Clearly political uncertainty in the UK didn’t help markets, but the initial decline in PCL came on the back of higher rates of SDLT – not politics.

“That said, prices are not the key indicator in the current PCL market. Transaction levels are. Prices have been buoyed slightly by the Conservative victory in December. More concerning is that transaction levels are turgid. This is in spite of a flood of new buyers entering the market in 2020.

“There has not been an increase in transactions because stock levels are dangerously low. Why are stock levels so low? In part, because the current SDLT structure removes much of the financial incentive to downsize. At the moment the chain is stagnating because potential downsizers aren’t moving.

“We accept that SDLT needs reform. Our strong preference would be for the threshold to be increased at the bottom and at the higher end. Most critically, SDLT needs to be reformed so that downsizers have financial reason to move, freeing up larger properties for London’s growing families.”

I expect to see a few price drops and deals below market valuation taking place

- **Caroline Takla, founder, The Collection**

“A new decade, a new chancellor, but not a lot has changed in regards to the Budget addressing the prime property market – unless you are an international purchaser, which a significant number are! The previous increases to SDLT were the catalyst for a marked slowdown in the market, so this isn’t the most positive news to come from Mr. Sunak’s announcement. It will be an important brief for the UK Government to make the country as enticing as possible to internationals post-Brexit whilst our new relationship with the EU is established. This 2% SDLT surcharge being actioned in the same year we’re supposed to leave the transitional period with the EU will certainly not help things. Moving forward those that are committed to or remain interested in purchasing a home in the UK will factor in the additional surcharge and likely keep it in mind when negotiating on price, so I expect to see a few price drops and deals below market valuation taking place."

The SDLT surcharge will send slight shockwaves across the London residential market, even though we know out was coming

- **Penny Mosgrove, CEO, Quintessentially Estates**

"As expected the coronavirus emergency dominated today's budget and I was pleased to see the Chancellor's tone reflected what we're seeing in our industry – business as usual as much as possible. We've just completed on various million pound deals in the UK and have active deals in Germany and other locations hit by the virus with requests still flowing in with property requests north of £20m for holiday homes in Europe. We also plan to announce new global office openings in the next few weeks. It was encouraging to see £30bn fiscal stimulus including spending on NHS and increased sick pay, additional government loans and business rate cuts. Interest rates were also slashed from 0.75% to 0.25% in a bid to keep the economy on track during the outbreak.

"The announcement that non-UK-resident buyers will face a stamp duty surcharge of 2% on UK property purchases from April 2021 will send slight shockwaves across the London residential market, even though we knew it was coming. Although I welcome the news that receipts are to be used to tackle rough sleeping, it feels wholly counter-productive to target international investment, particularly as the Prime Minister continues to repeat his bold ambition that the UK is 'open for business' ahead of

December's Brexit deadline. The new policy from Rishi Sunak comes four years after Philip Hammond introduced a 3% SDLT in 2016 for those buying second and buy-to-let properties – a measure which was aimed at curbing landlord investors. Today's announcement means overseas investors who already own a home could end up paying up to 17 per cent in stamp duty on the portion of the purchase price over £1.5m. This seems like an outright money grab by the government on foreign buyers who are vital to supporting a healthy residential market.

"The pledge to triple the average net investment made over the last 40 years into rail and road infrastructure, as well as connectivity, is however a welcome boost and badly needed in parts of the UK. The road from where I'm from in Newcastle to Scotland, for example, is still a single carriageway part of the way and this simply must be improved. It's been the same since I was a child growing up in the North East and they have always promised they would fix it – I hope this time they mean it!"

A surcharge for overseas buyers will bring the UK into line with many other global property markets

- **Tom Bill, Head of London Residential Research, Knight Frank**

"The introduction of a surcharge for overseas buyers will bring the UK into line with many other global property markets. Attempts to ease affordability pressures in the wider housing market should be welcomed, although the new measure will need to be monitored carefully to ensure there are no unintended consequences, including for the forward-funding of new-build developments. Furthermore, a wider re-think of stamp duty rates is still needed to increase housing market liquidity and maximise any stimulus the government plans to provide to the UK economy.''

We'll now be eagerly awaiting the Autumn Statement to see if stamp duty gets the attention it deserves

- **Nick Leeming, Chairman, Jackson-Stops**

"Today's Budget is in many ways somewhat of an 'emergency budget' to mitigate the economic impact caused by Covid-19. As a result, it is not business as normal in Number 11 and we welcome the range of measures announced to help support businesses in these more uncertain economic times and Government's commitment to providing a £30 billion stimulus to support the economy through Coronavirus.

"It is disappointing that the Government has failed to provide the housing market with a long anticipated reform to stamp duty for UK residents. This is aggravated by the overseas buyer tax, which could now see foreign purchasers pay up to 17% in stamp duty from 2021. Reducing the burden of stamp duty across the board would have provided the market with further momentum following the Boris bounce. Despite this, the higher end of the market may now see movement as foreign buyers look to secure deals ahead of this deadline.

"The Government has teased the industry and home buyers alike with hopes of a future reform to stamp duty, but we don't expect this to put the brakes on people's current home buying decisions – particularly now borrowing costs are back down to the lowest level in history following the Bank of England's cut to interest rates. Since Boris and the Conservative party won the General Election, our branches registered, on average, a 10% increase in new applicants on the year to January, with new instructions in the month also up by 26% compared to January 2019 figures. Despite this, there are some pockets of the market that just aren't budging. A targeted relief for homeowners who live in properties that are larger than their needs would help encourage these owners to downsize and free up these homes for families to provide further fluidity in the market.