



Llywodraeth Cymru
Welsh Government

PUBLICATION, DOCUMENT

Welsh Government consultation: summary of responses

Summary report on the public consultation on land transaction tax reliefs.

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1. Overview

Introduction

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This report summarises the responses to the Welsh Government consultation on land transaction tax reliefs, and the Welsh Government's response.

Next steps

Following the consultation, the Welsh Government will continue to undertake work to assess the potential impacts, benefits and costs of options related to LTT reliefs. This may include further discussion with stakeholders. Discussions held during the consultation period supported the process of gathering further relevant material to inform the evidence base to support decisions.

The Cabinet Secretary for Finance, Constitution and Cabinet Office will provide an update on plans regarding LTT reliefs in due course.

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

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Rydym yn croesawu gohebiaeth yn Gymraeg / We welcome correspondence in Welsh.

2. The purpose of the consultation

2.1 The consultation invited views on proposals regarding LTT reliefs.

2.2 The consultation invited answers to specific questions, and also welcomed all other comment regarding the options and proposals. The consultation posed 18 questions under the following 6 headings:

1. LTT multiple-dwellings relief (MDR)
2. Transactions involving 6 or more dwellings
3. LTT and social housing
4. Other LTT reliefs
5. The Welsh language, and

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6. Other comments.

2.3 The consultation documents can be found here:

Public consultation on land transaction tax reliefs

3. Consultation process

3.1 The consultation was open from 8 April to 19 May 2024. The consultation was published in Welsh and English on the Welsh Government's consultation web page.

3.2 Respondents were able to submit their views and comments in Welsh or English, by post (hard copy), by email or through an online response form.

3.3 There was no specific statutory duty to consult on the matters described in this consultation. The Welsh Government chose to consult the public on their views of the potential benefits and impacts of the options and proposals discussed.

3.4 The Welsh Government's tax principles set out the approach to developing and delivering devolved tax, stating that Welsh taxes should raise revenue to fund public services as fairly as possible, deliver Welsh Government policy objectives, be clear, stable and simple, be developed through collaboration and involvement, and contribute directly to the Well Being of Future Generations Act goal of creating a more equal Wales.

4. Summary of consultation responses

4.1 There were 38 responses. This report summarises the responses, and does

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not refer to all the points raised by respondents.

Figure 1. Responses by type of respondent

Businesses	12
Welsh local authorities	3
Professional bodies and/or interest groups	6
Responding in a private capacity	15
Other	1
Not given	1

4.2 Responses have not been reported in terms of percentages which agreed or disagreed, etc, to consultation questions. This is because many respondents chose not to answer many of the questions with reference to the options provided (strongly agree, agree, neither agree nor disagree, disagree, strongly disagree, or yes/no). The Welsh Government appreciates that many respondents felt their answers should be broader than the answer options provided on the consultation response form.

4.3 The Welsh Government has considered all the responses to this consultation. The wide range of perspectives represented by the responses supports the consultation process. The Welsh Government would like to thank all respondents.

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Section 1

4.4 Responses to section 1 – LTT MDR:

- Question 1.1 “Do you agree the proposal to abolish LTT MDR set out in this consultation aligns with the Welsh Government’s tax principles?”
- Question 1.2 “Do you think the abolition of LTT MDR will negatively impact the private rented sector in Wales?”
- Question 1.3 “Do you think the abolition of LTT MDR will negatively impact any others in Wales?”

4.4.1 Several respondents declared a direct or indirect interest in LTT MDR. They included businesses, advisors and representative bodies. Others who responded did not mention an interest, or mentioned not having an interest. Replies ranged from strong agreement to strong disagreement.

4.4.2 Many respondents who argued for retaining LTT MDR cited commercial reasons. Some felt that abolishing MDR would disincentivise investment in property rental sectors, which could lead to declines in housing supply and the wider Welsh economy. Some emphasised the importance to housing supply of sectors which benefitted from LTT MDR, such as the private rented sector, the purpose-built student sector and the build to rent sector. Some argued for enhancing, developing or otherwise improving LTT MDR, in a variety of ways, rather than abolishing.

4.4.3 Some supporting the abolition of LTT MDR mentioned the budgetary pressure on the Welsh Government created by the previous UK government’s (UKG) abolition of stamp duty land tax (SDLT) MDR. Some felt that abolishing LTT MDR may empower individual taxpayers to buy their own homes rather than rent. One respondent felt the abolition of LTT MDR may support the Welsh Government in addressing the housing crisis which faces communities across Wales, and especially those within the Welsh language strongholds.

4.4.4 Some noted that abolishing LTT MDR would support tax simplification. Some observed that tax reliefs are often poorly understood by taxpayers and can lead to inappropriate calculations, claims being challenged by the respective tax authorities and unsuccessful appeals to the tax tribunal. Some felt that abolishing LTT MDR in Wales would bring about parity across the devolved tax border (following the UKG abolition of SDLT MDR for England and Northern Ireland on 1 June 2024) and thereby aid simplification.

4.4.5 Some commented that it would be unfair to smaller investors and landlords to abolish LTT MDR but retain the 6 dwellings rule (see Questions 2.1 to 2.4).

4.4.6 Some responses emphasised the importance of decision making in the wider context of the Welsh Government's commitments to the Wellbeing of Future Generations and housing policy, and the importance of an evidence base before introducing changes to the LTT regime.

Welsh Government response

4.4.7 The Welsh Government will now undertake further work to assess the options with regard to LTT MDR, taking account of the comments received.

Section 2

4.5 Responses to section 2 – Transactions involving 6 or more dwellings (the 6 dwellings rule):

- Question 2.1 “Do you agree the proposal to abolish the 6 dwellings rule alongside the abolition of LTT MDR, aligns with the Welsh Government's tax principles?”
- Question 2.2 “Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would discourage or prevent buyers from entering into

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multiple-dwelling transactions?”

- Question 2.3 “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?”
- Question 2.4 “Do you think the abolition of the 6 dwellings rule, alongside the abolition of LTT MDR, would negatively impact others in Wales?”

4.5.1 Many points raised in response to section 1 questions were also raised in response to section 2 questions. Most respondents were in favour of retaining the six dwellings rule. Several respondents referred to the potential negative impacts of its abolition.

4.5.2 Some said that larger investors in residential property, for instance those who supply accommodation for students or for retirement living, would be impacted by the abolition of the 6 dwellings rule. Some said it may act as a deterrent strong enough to effectively reduce housing supply and negatively impact the Welsh economy.

4.5.3 Some felt that the abolition of the 6 dwellings rule may be helpful in reducing inequalities between larger investors and individual homebuyers.

4.5.4 In terms of tax simplification, one of the Welsh Government’s aims, some argued that the removal of the 6 dwellings rule may create a significant difference between LTT and SDLT regimes, if the 6 dwellings rule were retained in England and Northern Ireland, which would create greater tax complexity. Some thought the abolition of this rule may also lead to distorted economic activity, such as for instance developers incorporating non-residential elements into residential developments in order to make them ‘mixed-use’ and taxable at lower, non-residential rates.

Welsh Government response

4.5.5 The Welsh Government will now undertake further work to assess the options with regard to the LTT 6 dwellings rule, taking account of the comments received.

Section 3

- Question 3.1 “Do you agree the proposal to extend LTT relief to Welsh LAs when purchasing property for use in social housing aligns with the Welsh Government’s tax principles?”
- Question 3.2 “Do you agree that the current rules should be amended to provide broadly the same relief to Welsh LAs that is currently provided to registered social landlords?”
- Question 3.3 “Do you agree that the impact outlined above would occur?”
- Question 3.4 “Do you think the proposal to extend LTT relief to Welsh LAs when purchasing property for use in social housing would negatively impact anyone in Wales?”
- Question 3.5 “Would the change described in consultation issue 3 be beneficial in terms of supporting housing plans for your local authority, or any other Welsh local authorities?”

4.6.1 The majority of respondents agreed with the proposal to extend the existing relief available to registered social landlords to Welsh local authorities in the circumstances proposed.

4.6.2 Some argued that housing supply would be better supported if the relief were also extended to private rented sector landlords.

4.6.3 Responses on technical aspects will support consideration of the proposals, in terms of how transactions are funded, and how properties would

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subsequently be used, in order to qualify for the relief.

Welsh Government response

4.6.4 The Welsh Government will now undertake further work to assess the options available with regard to extending the existing relief to Welsh local authorities, and other potential changes.

Section 4

4.7 Responses to section 4 – other LTT reliefs:

- Question 4.1 “With the Welsh Government’s aims and objectives in mind, are there other LTT rules, including reliefs, which you feel should be considered for review, for instance to support the Welsh Government’s housing commitments?”

4.7.1 A wide variety of proposals were made, including those which may benefit the private rented sector and tenants of rented properties, local communities including those in Welsh speaking areas, homebuyers and property developers.

4.7.2 Suggestions for clarifying tax rules will be further considered.

Welsh Government response

4.7.3 The Welsh Government will assess the suggestions and proposals which have been put forward and will report on them in due course.

Section 5

4.8 Responses to section 5 – the Welsh language

The Welsh Government invites views on any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English. What, in your opinion, would be the likely effects of these proposals on the Welsh language?

- Question 5.1 “Do you think that there are opportunities to promote any positive effects?”
- Question 5.2 “Do you think that there are opportunities to mitigate any adverse effects?”
- Question 5.3 “In your opinion, could the proposals be formulated or changed so as to have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English?”
- Question 5.4 “In your opinion, could the proposals be formulated or changed so as to mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?”

Welsh Government response

4.8.1 Some responses focussed on the potential impacts on the Welsh Language of options to amend LTT reliefs. The Welsh Government will undertake further work to assess the views expressed and proposals put forward, before making decisions.

Section 6

4.9 Responses to section 6 – other comments:

- “We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use the space below to report them.”

Welsh Government response

4.9.1 The Welsh Government will consider the comments made in this section alongside responses to section 4, ‘Other LTT reliefs’.

5. Next steps

5.1 Addressing the impact of the previous UKG abolition of SDLT MDR on the Welsh block grant remains a high priority for the Welsh Government. The responses to this consultation have raised important and complex issues regarding LTT reliefs.

5.2 The Welsh Government will continue to investigate the potential benefits, costs and wider impact of options regarding MDR and other LTT reliefs.

5.3 The Cabinet Secretary for Finance, Constitution and Cabinet Office will provide an update on plans regarding LTT reliefs in due course.

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