

Land Transaction Tax (LTT) Wales

The new LTT will come into effect on 1st April 2018, replacing SDLT in Wales.

The Welsh Treasury has published the rates and bands for LTT in its [Welsh Tax Policy Report, Autumn 2017](#).

The extract below sets out those rates and bands, as amended by the Wales government on 12th December 2017.

Residential rates:

Price threshold	Main residential rates
£0 - £180,000	0%
£180,000 - £250,000	3.5%
£250,000 - £400,000	5.0%
£400,000 - £750,000	7.5%
£750,000 - £1.5m	10.0%
£1.5m-plus	12.0%

To increase the progressivity of the residential rates, the property price at which the tax becomes payable is higher for LTT than for stamp duty land tax. Adjusting the rates and bands for higher-priced transactions maintains revenues. To support a smooth transition to the new tax, the degree of difference between LTT rates and the current stamp duty land tax rates has been kept relatively small.

With these main residential rates, it is forecast that 45% of transactions will not be liable for LTT – an increase from stamp duty land tax regime. The average first-time buyer will pay no tax and the average buyer will pay less tax than under stamp duty land tax. All buyers of residential properties which cost up to £400,000 will pay the same or less tax than under stamp duty land tax. Around 90% of residential transactions which would have been taxed under stamp duty land tax will pay the same or less tax with LTT.

For additional residential properties, the higher rate of tax payable will be an additional 3% on top of the main residential rate in each band – this is the same as the current stamp duty land tax regime. As the higher rate was only introduced recently, there is limited evidence on its impact in Wales, therefore consistency with stamp duty land tax has been maintained.

Non-residential rates

Price threshold	Rates
£0 - £150,000	0%
£150,000 - £250,000	1%
£250,000 - £1m	5%
£1m-plus	6%

Adopting a lower tax rate than stamp duty land tax for the first band for non-residential properties where tax is payable, increases the progressivity of the LTT non-residential rates. To maintain revenues, a new top band has been added. Reflecting the integration of the Welsh economy with the rest of the UK economy and to support a smooth transition to the new tax, the degree of difference between LTT rates and stamp duty land tax rates is relatively small.

Non-residential lease rates:

Net present value threshold	Rates
£0 - £150,000	0%
£150,000 - £2m	1%
£2m-plus	2%

To reflect the property market in Wales, the top LTT rate will apply from a lower net present value threshold than the top stamp duty land tax rate. As the non-residential lease rate applies to a fairly small number of transactions overall and generally lease rates are lower in Wales than in parts of England, such as London, very few transactions would pay the top rate of tax in Wales if it was consistent with stamp duty land tax.

For freehold purchases and transactions with lease premiums, it is forecast that 60% of taxable transactions will pay no tax. For freehold purchases and transactions with lease premiums, buyers will pay less tax on all non-residential freehold or leasehold premium transactions where the price is less than £1.1m.