



Llywodraeth Cymru
Welsh Government

PUBLICATION, DOCUMENT

Public consultation on land transaction tax reliefs

We want your views on proposed changes to land transaction tax relief (LTT) reliefs. These include proposals on multiple-dwellings relief and property bought for social housing.

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Overview

The Welsh Government welcomes views on proposals to abolish land transaction tax (LTT) multiple-dwellings relief, and to extend an existing LTT relief to Welsh local authorities when purchasing property for social housing purposes. The Welsh Government is also interested in views on the option of amending the rules related to the purchase of 6 or more dwellings in a single transaction, and options to review or amend other LTT reliefs. The Welsh Government will make a statement regarding the next steps once the consultation has closed and the responses have been considered.

Introduction

This public consultation seeks views on the following proposals which the Welsh Government intends to put to the Senedd:

- the abolition of land transaction tax (LTT) multiple dwellings relief (MDR), and
- the extension of an existing LTT relief to Welsh local authorities when purchasing property for social housing purposes.

This consultation also seeks views on the following options:

- the abolition of the relief provided on the purchase of 6 or more dwellings in a single transaction, alongside the abolition of LTT MDR
- the potential review or amendment of other LTT reliefs and
- the possible impact on the Welsh language.

This consultation is being conducted over a 6-week period rather than the usual 12 weeks. The shorter than normal consultation period reflects the relative

urgency of some of the issues under consideration, and the brevity and narrow focus of the consultation.

This consultation document contains explanations of the issues under consideration along with questions for the public. The Welsh Government is interested in the public's answers to these questions in particular, but welcomes all comments regarding the issues covered in this consultation.

Responses to this consultation will support the Welsh Government in its consideration of the costs, benefits and wider impact of the proposals, including in terms of social, cultural, economic and environmental well-being, socio-economic disadvantage and the Welsh language.

Consulting on Devolved Taxes

The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (LTTA) and LTT are kept under review by the Welsh Government. 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.

There is no specific statutory duty to consult on the matters under consideration in this consultation. The Welsh Government has chosen to consult the public to assess views of the potential benefits and impact of the proposals.

LTT multiple-dwellings relief

The Welsh Government welcomes views on its intention to propose to the Senedd the abolition of LTT multiple-dwellings relief (MDR) in Wales.

The UK government (UKG) decision to abolish Stamp Duty Land Tax (SDLT) MDR in England from 1 June will result in a reduction to the Welsh Block Grant (WBG), from the date the new measure comes into effect, estimated to be up to £8 million a year over the coming years. The decision was announced in the Spring Budget on 6 March 2024. It is anticipated the proposed abolition of LTT MDR would broadly offset the impact to the Welsh Block Grant of the abolition of SDLT MDR. Responses to this consultation will support the assessment of the impact in Wales, if LTT MDR is abolished.

Transactions involving 6 or more dwellings

The Welsh Government also welcomes views on the rules governing the purchase of 6 or more dwellings in a single transaction, with consideration to proposing their abolition if appropriate, if LTT MDR is abolished.

LTT relief for local authorities

The Welsh Government also seeks views on its intention to propose to the Senedd a tax relief for Welsh local authorities when purchasing property for use as social housing.

Other LTT reliefs

The Welsh Government also welcomes views on whether, in the wider context of

the Welsh Government's aims and objectives, other LTT rules, including reliefs, should be considered for review, for instance to support the Welsh Government's housing commitments. The Welsh Government continues to evaluate the impact of LTT since it came into force in 2018, as part of the ongoing efforts to develop taxes and ensure they continue to work well for Wales. Responses to this consultation will support that ongoing evaluation.

The Welsh Language

The Welsh Government also welcomes views on any effects the proposals described here may have on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.

What happens next

This consultation runs from 8 April to 19 May 2024.

Responses to this consultation will initially be seen and handled by officials in the Welsh Treasury, the department of Welsh Government which advises Ministers on tax policy. Responses may also be seen and handled by officials in other departments of Welsh Government, including the Welsh Revenue Authority (WRA), the non-ministerial department responsible for managing devolved taxes and ensuring taxpayers pay the correct amount of LTT.

[Information about the WRA's approach to managing taxes](#) can be found here. [Guidance describing the powers and duties of the WRA](#) and the duties and rights of taxpayers can be found here.

After the consultation, the Welsh Ministers will consider the responses, issue a report summarising them, and set out their intentions and next steps.

References

The following references and links may be useful to readers:

- The Welsh Government's information web pages on [land transaction tax](#).
- The WRA's [technical guidance on multiple dwellings relief](#).
- The full text of the [LTTA](#).
- Detailed guidance describing the [powers and duties of the WRA and duties and rights of taxpayers](#).

Key terms

Rates, bands, thresholds and tables

- tables: the 4 tables of rates and bands that apply to different types of transactions
- bands or thresholds: ranges and upper/lower limits of consideration that apply to different categories of transaction
- rates: the percentages of tax applied

[Land Transaction Tax rates and bands](#) on GOV.WALES

Residential rates

These are the rates charged when transactions (or linked transactions) include residential property alone (broadly, a building that is used or suitable for use as a dwelling and its garden and grounds). There are 2 sets of LTT residential rates, the main residential rates and the higher residential rates.

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Non-residential rates

The rates of tax which apply to transactions where the purchase is of land or buildings not subject to residential rates. The LTT non-residential rates are charged on mixed-use transactions.

Dwelling

Broadly, a building or part of a building that is used or suitable for use as a dwelling, or is in the process of being constructed or adapted for such use. A dwelling is somewhere that is, was previously, or once completed or adapted, will be suitable for occupation as a home, providing all the necessities for habitation (such as a kitchen and bathroom). A dwelling may include a garden or grounds.

Multiple-dwelling transaction

A transaction where the buyer acquires more than one dwelling, either through a single transaction or through linked transactions between the same seller and buyer.

Mixed-use transaction

A transaction which has both residential and non-residential elements, for example, a building which contains a shop and a flat, a house with a doctor's surgery, or a working farm consisting of agricultural land, a farmhouse and other dwellings.

Linked transaction

Transactions are linked where they form part of a single scheme, arrangement, or series of transactions between the same buyer and seller, or persons connected to them.

Consultation issues

1. LTT multiple-dwellings relief

Introduction

1.1 The Welsh Government intends to propose to the Senedd an amendment to the LTTA that will abolish the **LTT Relief for Acquisitions Involving Multiple Dwellings**. This relief is also referred to as multiple dwellings relief (MDR). The current rules and the proposal for change are explained below.

Current rules

1.2 MDR is a partial relief of LTT which has the effect of reducing the overall tax liability for a taxpayer. MDR is claimed by taxpayers, rather than automatically provided. Taxpayers are under no obligation to claim MDR. Claims are made in tax self-assessments and are checked by the Welsh Revenue Authority (WRA), which has responsibility for ensuring taxpayers pay the correct amount of tax.

1.3 MDR can be claimed where a buyer acquires more than one dwelling from the same seller, either in a single transaction on the same effective date or in linked transactions. MDR has been part of the LTT regime since the LTTA came

into force in 2018, having been adopted as part of the legislative transfer from the previously UK-wide SDLT regime. MDR had been introduced into SDLT in 2011, with the aim of reducing a potential barrier to investment in residential property, and to promote private rented sector (PRS) housing supply.

1.4 The [WRA web pages on MDR](#), which contain fuller explanations and detailed guidance, can be found here. The [WRA's LTT technical guidance](#) (LTTA/7038 and LTTA/7039) contains examples which explain the application of the rules.

The proposal to abolish MDR

1.5 The Welsh Government intends to propose to the Senedd the abolition of LTT MDR, to come into force on 1 June 2024, or as soon as possible thereafter. This decision is precipitated by the anticipated impact on the Welsh Block Grant (WBG) of the UK government decision to abolish SDLT MDR in England on 1 June 2024. It is anticipated the proposed abolition of LTT MDR would broadly offset the impact to the WBG of the abolition of SDLT MDR.

1.6 When introducing the measure to abolish LTT MDR, the Welsh Government will include transitional rules similar to those introduced for the abolition of SDLT MDR, to assist taxpayers involved in purchases which span the period of the abolition of LTT MDR.

1.7 The subsidiary dwelling exception (SDE), a special form of relief available in certain multiple-dwelling transactions, will remain. The [WRA's explanation of the SDE](#) can be found here.

Impact

1.8 The Welsh Government invites views on the impact of the abolition of LTT

MDR. Impacts may include the following:

- In the short-term, once the intention to abolish LTT MDR is known but before it is abolished, and while taxpayers can still benefit from the relief, the rate of transactions may increase.
- In the longer-term, after the abolition of LTT MDR, if the absence of MDR discourages or prevents some multiple-dwelling transactions, there may be fewer such transactions.

Question 1.1

The Welsh Government will make the final decisions on the proposal to abolish LTT MDR taking into account the responses to this consultation, any other relevant comments expressed elsewhere, ongoing analysis of impacts, and the Welsh Government's tax principles.

These tax principles state 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.

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?

2. Transactions involving 6 or more dwellings

2.1 The Welsh Government would welcome views on the rules governing the purchase of 6 or more dwellings in a single transaction (the '6 dwellings rule'), with consideration to proposing their abolition if appropriate, if LTT MDR were abolished. The current rules and the option under consideration are explained below.

Background: the current rules

2.2 Currently, when purchasing 6 or more dwellings in a single transaction, the taxpayer can choose between 2 options to calculate the tax chargeable. The options are set out below.

2.3 Option 1. The taxpayer may treat the transaction as non-residential, and pay LTT at the non-residential rates.

2.4 Option 2. The taxpayer may treat the transaction as residential and pay the higher residential rates, in which case they may choose to claim MDR.

2.5 The rule relating to the **use of the non-residential rates is set out in the LTTA** (see section 72(9) in particular).

The option of abolishing the 6 dwellings rule

2.6 Were LTT MDR abolished (and no other amendments made to LTT rules), taxpayer discretion in transactions involving 6 or more dwellings would be removed, so that all such transactions would be charged at the non-residential rates.

2.7 There would be a possibility that the abolition of LTT MDR (without any other amendments to LTT rules) could potentially create unfairness for taxpayers purchasing between 2 and 5 dwellings in a single transaction, compared to those purchasing 6 or more dwellings. Those purchasing between 2 and 5 dwellings would be taxed at higher rates (the higher residential rates) than those purchasing 6 or more dwellings (they would be taxed at the non-residential rates). In some cases, those purchasing fewer dwellings might even pay larger amounts of tax, as well as at a higher rate, than those purchasing more dwellings.

2.8 Example. If MDR were not available (and no other amendments were made to LTT rules):

- a buyer acquiring 5 dwellings costing £300,000 per dwelling (total consideration of £1,500,000) would pay £171,200 in LTT at the higher residential rates
- a buyer acquiring 6 such dwellings (total consideration £1,800,000) would pay £85,750 in LTT at the non-residential rates.

2.9 Therefore the Welsh Government would welcome views on whether, if MDR were abolished, it would also be appropriate to abolish the 6 dwellings rule.

2.10 There is no intention to amend or abolish the rules governing mixed-use transactions (transactions involving both residential and non-residential property), which would continue to be taxed to the non-residential rates.

Impact

2.11 If both LTT MDR and the 6 dwellings rule were abolished (and no other amendments made to LTT rules), taxpayers buying 6 or more dwellings would be taxed at the higher residential rates, the same rates as those buying between 2 and 5 dwellings in a multiple-dwelling transaction.

Question 2.1

The Welsh Government will make the final decisions on whether to review and/or abolish the 6 dwellings rule taking into account the responses to this consultation, any other relevant comments expressed elsewhere, ongoing analysis of impacts, and the Welsh Government's tax principles.

These tax principles state 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.

Do you agree the proposal to abolish the 6 dwellings rule, alongside the abolition of LTT MDR, would align 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 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?

3. LTT and social housing

Introduction

3.1 The Welsh Government intends to propose to the Senedd an amendment to the LTTA to provide tax relief for Welsh local authorities (LAs) when purchasing property for use in social housing. The current rules and the proposal for changing them are explained below.

Background: the current situation

3.2 Some Welsh LAs provide social housing through their own council housing only, others entirely through registered social landlords (RSLs) and others through a combination of both. Some LAs may wish to purchase dwellings on the open market as part of their efforts to address local housing need. Currently, LAs buying dwellings on the open market are subject to the LTT higher residential rates in almost all circumstances. LAs also pay LTT non-residential rates when purchasing buildings, for example for housing (in some

circumstances), offices, support services such as youth clubs or leisure facilities, or to buy land to build a new school or to develop in response to social housing need.

3.3 Relief from LTT, dependent upon certain conditions, is available to RSLs. The rules are set out in [the LTTA](#).

The proposal for new rules

3.4 The Welsh Government intends to propose to the Senedd an amendment to the current rules to provide broadly the same relief to Welsh LAs that is currently provided to RSLs. The relief would not give Welsh LAs a total exemption or relief from LTT when purchasing dwellings or land.

Impact

3.5 The proposal would provide Welsh LAs with an additional option in addressing housing need and would result in a reduction in LTT paid by LAs.

Question 3.1

The Welsh Government will make the final decisions on whether to propose this change to LTT reliefs, taking into account the responses to this consultation, any other relevant comments expressed elsewhere, ongoing analysis of impacts, and the Welsh Government's tax principles.

These tax principles state 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.

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 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?

Impact on local authorities

We welcome all responses to questions 3.5, and in particular those of local authorities.

Question 3.5

Would the change described in consultation issue 3 be beneficial in terms of supporting housing plans for your local authority?

4. Other LTT reliefs

4.1 The Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (LTTA) and LTT are kept under review by the Welsh Government, to ensure they deliver against, and support, the Welsh Government's aims and objectives. This consultation supports that ongoing review. The Welsh Government welcomes all views on LTT reliefs and the wider LTT regime.

4.2 The Welsh Government's **Programme for Government** (PfG) for this Senedd term sets out the commitments which the Welsh Government intends to deliver.

4.3 The Welsh Government's tax principles, mentioned previously in this consultation document, 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.

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?

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?

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:

How to respond

Submit your comments by 19 May 2024, in any of the following ways:

- complete our [online form](#)
- download, complete our [response form](#) and email LTT.Reliefs.Consultation@gov.wales
- download, complete our [response form](#) and post to:

Land transaction tax reliefs public consultation (MDR, social housing)
Tax Strategy and Intergovernmental Relations Division
Welsh Treasury
Welsh Government
Cathays Park
Cardiff
CF10 3NQ.

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For further details about the information the Welsh Government holds and its

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

Information Commissioner's Office

Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

Telephone: 01625 545 745 or 0303 123 1113

Website

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Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. The lawful basis for processing information in this data collection exercise is our public task; that is, exercising our official authority to undertake the core role and functions of the Welsh Government (Art 6(1)(e)).

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. In the case of joint consultations this may also include other public authorities. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation and that the Welsh Government may be under a legal obligation to disclose some information.

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than 3 years.

Further information and related documents

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