

Time to stamp on duty?

Those involved in buy-to-let will often be keen to emphasise the fact that they are providing a service which is much in demand. For all the claims that the property purchases made by people who are filling a gap in the market are reducing the stock of available houses for first-time buyers, there are as many counter-claims that the greater availability of rented accommodation meets the need for flexibility as well as the need for accommodation among those not able to get on the housing ladder.

In part this point centres on the fact that a growing number of buy-to-let residents either do not have any great wish to buy their own home at present or would not do so for practical reasons. These may include living in an area for a finite period while on a temporary work contract, immigrants who have no long-term plans to settle in the UK or students, with the latter case including new locations which have just begun to provide new university education, such as Carlisle and Ipswich.

For all that, there are those who would buy a home if they could afford it, people for whom things may get a lot better this year with falling interest rates and lower house price inflation. Some may also hold out the hope that new measures may be introduced to help buyers, especially first-time buyers, in the budget.

This brings up the issue of stamp duty. The number of people not needing to pay it has been falling every year as house prices have risen, leading to a number of calls for the threshold to be raised. Last year the Conservatives, staring down the barrel of a snap election defeat during Gordon Brown's honeymoon period, announced they would axe the levy for first-time buyers on any first-time buyer home worth less than £250,000. Last week Grant Shapps, the shadow housing minister, called on chancellor Alistair Darling to adopt the measure in his first budget on March 12th.

Following the adoption of the policy on stamp duty and the pledge to raise the inheritance tax threshold to £1 million, the Conservatives received a poll boost that led to Mr Brown backing off from an early election. That such tax policies may have struck a chord appears to have been proven by a survey this week by Co-operative Financial Services of the taxes people hate most. While inheritance tax topped the list with 31 per cent wishing to abolish it, stamp duty was second on 23 per cent, both of these leaving the likes of council tax and motoring taxes trailing.

Yet despite the potential popularity of a raising of stamp duty thresholds, this is a decision that is by no means certain. Last October Halifax revealed that in the 2006-07 financial year alone the increase in revenue from stamp duty was £1.8 billion, a 40 per cent rise on the previous year. To make major changes to this tax would mean the government having to replace the revenue from another source, which could mean other taxes going up at a time when the economy is facing a downturn. Alternatively, it could mean cuts in spending, which may also be unpopular.

Therefore it could well be that Mr Darling feels unable to make a major change to stamp duty, or if he does he may copy a move often used by Gordon Brown of announcing a change but the new measure only taking effect a year hence.

Should either of these be the outcome, the result will be that, for the time being at least, the stamp duty factor will remain a problem for many would-be first-time buyers. Buy-to-let investors would therefore still have a major role to play in providing accommodation to those for whom the housing ladder remains tantalisingly out of reach.

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