



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

27 January 2018

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee
House of Commons
London
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I am writing to you following the publication of the Treasury Committee's report on the Autumn Budget on 22 January, to address a number of points in relation to the Stamp Duty Land Tax (SDLT) relief for first time buyers.

The report refers to the OBR's prediction of the number of additional first-time buyers who will enter the market as a result of the change. Where the report says that "just 3,500 additional first-time buyers over the forecast period" will enter the market as a result of the change, this is inaccurate. The 3,500 figure is the OBR's estimate of the annual number of additional first-time buyer purchases which will displace other property transactions, such as purchases of additional properties. Of course, the number of first-time buyers who will benefit from the change is far higher than this estimate, and we expect the relief to help over a million first-time buyers getting onto the housing ladder over the next five years. This relief also means that over 80% of first-time buyers do not pay SDLT.

I also noted the report's discussion of the potential impact of the relief on house prices. It is important that this is considered in the wider context of the large package of measures to improve the housing market, including at least £44 billion of support for housing over the next five years. This is not accounted for in the OBR housing supply forecast, which they are keeping under review as the policies are delivered. Initial reactions from industry have also suggested the SDLT relief will play a role in supporting supply, including from the Home Builders Federation, who have said it will give builders the confidence to invest in the coming years.

The report also notes that the relief is limited to properties worth £500,000 and below. By limiting it in this way, we are ensuring that the most expensive 4% of transactions do not benefit.

Finally, as the Committee's report notes, the SDLT relief will still benefit first-time buyers independent of any price effect. As the Institute for Fiscal Studies has said, first time buyers will need less cash upfront as they won't need to cover SDLT, and even if prices were to increase, they would be taking ownership of a more valuable asset. The OBR also

noted that this will support those with small deposits who are otherwise be constrained by the loan-to-value criteria, because they can borrow to cover the house price, whereas mortgages do not cover SDLT.

I hope the Committee finds this further information helpful.

A handwritten signature in black ink, appearing to read 'Philip Hammond', written in a cursive style.

PHILIP HAMMOND