

SDLT Additional Properties Consultation
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To whom it may concern

Higher Rates of SDLT Consultation Response from the Empty Homes Network

This consultation response is being submitted on behalf of the Empty Homes Network: it is not an individual response.

The Empty Homes Network

Background

We are a national network with approximately 550 individual members and associates, launched with 80 members in 2001 as the **National Association of Empty Property Practitioners**. Then-Minister Sally Keeble wrote

“NAEPP[=EHN] will provide a national voice for local authority and RSL staff in their work to bring empty homes back into use. The Government is keen to see its membership grow into a national network of empty property practitioners.”

Since then we have expanded our membership to include those working in regeneration companies, in self-help and community groups, and in private sector firms involved in helping bring empty homes back into use.

We are a not-for-profit membership organisation. We are separate from and completely independent of the charity Empty Homes Agency. We are self-financing through membership fees and our Conference.

Our main role is to support all practitioners and organisations involved in addressing the issue of empty homes, helping them work as effectively as possible. We do this by facilitating the sharing of information and experience, by organising training events and conferences, by promoting best practice amongst delivery partners and by promoting sound policy at national level. We argue for service improvement; help those practitioners with the least time and resources to gain confidence and carry out their duties more effectively; and support DCLG and other policy makers in developing approaches that will work in all localities.

How we assembled our views

The issues raised by the consultation were discussed by our Executive. This comprises representatives from empty homes forums from all over the country along with some members who are elected individually by the full membership. There are 27 members in total. Several comments were received and were incorporated into the first draft. The full membership was then given an opportunity to comment on the draft of our response. Some responses can be accessed on our online forums at <http://www.ehnetwork.org.uk/forum-topic/higher-rates-sdlt-empty-homes-issue> .

Empty Homes issues associated with the SDLT Proposals

Our concerns are whether the proposed changes might make it harder to bring empty homes back into use or adversely affect organisations that perform useful work in regeneration and community-building through tackling empty homes. Most of the proposals do not raise any issues and we have therefore simply left them out of account.

Answers to specific questions

Question 6:

Do you agree there should be a refund mechanism in place for those who sell their previous main residence up to 18 months after the purchase of a new main residence? **Are there any other cases where a refund of the additional SDLT paid should be given?**

Our response to Q6:

We are concerned that the proposal may adversely affect the appetite of builders/small developers to tackle long-term empty homes. In areas of low demand, long-term empties are often brought back into use following purchase by builders or small developers. These long-term empties might not be readily purchasable by owner-occupiers because of their mortgageability in their current condition. Lenders have become risk adverse and are not keen to lend on properties in poor condition unless it is as a development loan. These might only be available on a 60% Loan-to-Value ratio. The typical first-time-buyer would be unlikely to be in a position to proceed under such conditions.

In principle, in a “rational market” the proposed higher rate of SDLT would imply a 3% lower purchase price being offered by the builder to compensate for the extra tax now payable. However, the empty home owner might continue to hold out for the higher price that he or she believes would be payable if an owner-occupier were interested in the property and the property could continue to remain empty. By contrast, if a builder did buy the property for refurbishment and resale, this would then bring the home to the market for first-time-buyers.

Our proposal

Taking into account the government’s desire to promote home ownership, we suggest that **a builder**

- **purchasing a property that has been empty for over a year; and:**
- **selling the property to an owner-occupier within 18 months**

should be able to claim a refund of the SDLT, comparable to that available to an owner-occupier.

This still leaves the builder needing additional cash to purchase the property and raises some administrative questions about how easy it would be to determine whether a home was subsequently bought for owner-occupation (this might hinge on the same question proposed elsewhere as to whether the new owner had more than one property at the end of the day of the purchase).

Variants of this policy that might be considered would be:

- to offer a refund in the event of any onward sale within 18 months (regardless of whether to an owner occupier or not);
- to offer a refund regardless of whether a home had been long-term empty.

In line with the VAT regulations, the view of the local Empty Homes or Empty Property officer could be considered adequate evidence for whether a home had been empty for the requisite period of time. It might also be necessary to introduce tests to ensure that the home in question had been refurbished including some threshold associated with the costs of repairs.

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Question 16:

Are there any other issues or factors the government should take into account in designing an exemption from the higher rates?

Our response to Q16:

Yes – the impact on regeneration and specifically bringing empty homes back into use – as described below.

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Question 15:

Are there better alternative or additional tests that could be used to better target an exemption and fulfil the government’s wider housing objectives?

Question 17:

Do any specific kinds of collective investment vehicle or other non-individuals need to be treated differently to companies?

Our response to Q15 and Q17: exemptions are needed for further classes of organisations

Currently the consultation proposes retaining current exemptions for charities and RSLs. However there are other not-for-profit organisations that perform similar roles and who will now be caught by the 3% surcharge if they acquire further empty properties.

Such organisations include many of the highly-praised organisations involved in delivering affordable housing through the Empty Homes Community Grant Programme [EHCGP] run by DCLG. Where such bodies become involved it is very often the case that homes are not readily purchasable by owner-occupiers because of mortgageability or other issues (see above).

Previously stamp duty will rarely have been an issue for these organisations because they will normally have been purchasing homes below the normal SDLT threshold.

Whilst we fully support the intention behind the proposed measure to support home ownership, we think this should not be at the expense of important community-based regeneration initiatives that often involve forms of mutual or community ownership that complement owner-occupation.

Our proposals:

SDLT Exemptions should be offered to the following classes of not-for-profit organisation purchasing homes:

- **Community Interest Companies (CIC)**
- **Co-operative Societies**
- **Community Benefit Societies**

The focus could be narrowed to, for example, **purchase of long-term empty homes** (e.g. empty for over 6 months using current definitions); or it could **apply only to the proposed higher rate of SDLT** rather than forming part of a new blanket exemption from all SDLT as currently enjoyed by charities and RSLs.

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Other issues and aspects

Grant qualifying as public subsidy

We note that Grant to subsidise affordable homes given under the Empty Homes Community Grant Programme was given under Section 70 of the Charities Act 2006: this does not appear in the current list of grants which would have qualified as public subsidy for organisations that are “Registered Social Landlords”*. See <http://www.hmrc.gov.uk/manuals/sdlmanual/sdlm27500.htm> .

(This is a pre-existing issue: we feel there is an opportunity for it to be addressed as part of the current exercise).

VAT and SDLT

We note that the SDLT proposals can be considered to operate counter to the 5% VAT concession on homes that have been empty for 2 years or more in low-demand areas where owner-occupiers are unlikely to be in a position to bring long-term empties back into use.

Affordable housing

Currently the RSL/Charity exemption gives some opportunity for some organisations producing affordable housing to escape the higher rates of SDLT being proposed. An alternative to our proposals for Questions 15 and 17 above would be to find a workable definition of affordable housing that would allow all such housing to be exempt. This could potentially enable a wider range of providers, including the private sector , to benefit. We would be happy to discuss this further with HM Treasury.

Yours faithfully

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* This should now be “Private Registered Providers”.