P.2024/91 Amdt 17

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

17th October, 2024

Proposition No. P.2024/91

Policy & Resources Committee

The States of Guernsey Annual Budget for 2025

AMENDMENT

Proposed by: Deputy H L de Sausmarez
Seconded by: Deputy V S Oliver

To agree to remove the 2% uplift on document duty for non-PPR (principal private residence) residential properties, so that the same rate of document duty is applied to transactions irrespective of whether the property will be the buyer's principal private residence or not, and therefore to agree:

In proposition 14, at the end, insert:

", subject to the following amendment –

For clause 2, substitute –

"2. Section 1A of the Ordinance is repealed.", and

And in proposition 15, at the end, insert:

", subject to the following amendment –

For clause 2 substitute –

"2. Section 1A of the Ordinance is repealed."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by relieving pressure on Guernsey's private rental sector.

b) In preparing the proposition, consultation has been undertaken with Treasury officers as well as community stakeholders; discussion has also taken place with the Committee for the Environment & Infrastructure and this proposition has been shared with the Policy & Resources Committee.

c) The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) It is impossible to accurately predict the financial impact of this amendment: while Treasury would not receive the additional 2% uplift, this lost income could well be counteracted by additional document duty from an increased number of transactions that the removal of the uplift could facilitate.

Explanatory note

The effect of this amendment, should it be supported, is to remove the 2% uplift on document duty for non-PPR (principal private residence) residential properties, so that the same rate of document duty is applied to transactions irrespective of whether the property will be the buyer's principal private residence or not.

The private rental sector is home to more than a quarter of Guernsey households, but as the data from the Guernsey Housing Plan 2024 Update Report shows, it is still struggling with systemic unaffordability. It is believed that buy-to-let sales have been negatively impacted over the last two years by the introduction of an additional 2% document duty in the budget agreed in November 2022, just as interest rates were increasing very significantly. This combination of additional document duty and increased interest is likely to have contributed to the negative impacts experienced by the sector explored in the Budget Report in paragraphs 2.7 and 5.19.

Because buy-to-let properties weren't singled out administratively in this way prior to the introduction of the additional 2% document duty, there is no empirical data to enable a comparison of the uplift's impact; however, the proposer of this amendment has received numerous representations from concerned landlords, estate agents and developers who have explained that in their experience it has had a markedly negative impact. One local developer reports a 300% reduction in sales of properties to let relative to private unit sales over the last two years compared with the two years immediately prior.

While the increase in the threshold for document duty proposed in the Budget Report is welcome, as is the freeze on the withdrawal of tax relief on domestic let mortgages, the buy-to-let sector is still at a significant economic disadvantage compared with private sales. Investment in residential property for letting is already comparatively unattractive, as it is hard to achieve a yield which is better than or equal to the interest available from a bank. It is therefore highly unlikely that someone would borrow against a buy-to-let property, so the proposals included in the Budget Report do not go far enough to help alleviate the issue.

This amendment seeks to address that problem and further alleviate pressure on the sector by removing the additional 2% document duty on properties that are not the purchaser's principal private residence (PPR) and levelling the rate with that applied to other domestic residential properties.

Income to Treasury from document duty is always hard to predict as there are so many variables, and the fiscal impact of this amendment is similarly difficult to determine. While Treasury obviously would not receive an additional 2% document duty on non-PPR domestic properties, it is plausible that the removal of the uplift will facilitate more transactions which in turn could compensate (or potentially more than compensate) for that reduction in income.

Levelling again the rate of document duty between PPR and non-PPR domestic properties but collecting the data to differentiate between them will also give us a comparator against which to gauge the effect of the uplift, which has been in place for two years now, helping to better inform decisions on buy-to-let document duty rates in future years.

The changes to Propositions 14 and 15 will amend the document duty legislation to effect this change and implement it as expediently as possible.