



26.11.15

## Stamp Duty Increases on Second Home Purchases

My colleagues and I had an unwelcome surprise yesterday afternoon as the reports of the increase in Stamp Duty on Second Home Purchases became clear. Part of our business, as well as many agents in our areas of Devon and Cornwall, is selling to second home owners who are, on the whole, trying to make up the gap in what they thought their pension would provide and what the reality is. The vast majority of these buyers holiday let their properties and these holiday makers spend large amounts of money in the local economies.

It is not my aim to defend second home owners in this piece, but to advise clients and buyers what to do.

### New Stamp Duty Rates on Second Homes

What stamp duty rate will I pay?		
PURCHASE PRICE	CURRENT STAMP DUTY RATE (1)	NEW STAMP DUTY RATE FOR ADDITIONAL PROPERTIES (1)
Up to £125,000	0%	3% (2)
£125,000.01 - £250,000	2%	5%
£250,000.01 - £925,000	5%	8%
£925,000.01 - £1,500,000	10%	13%
£1,500,000.01+	12%	15%

(1) Rate applies to that portion of the purchase price (2) Properties up to £40,000 are exempt from stamp duty. Properties between £40,000.01 & £125,000 will be charged stamp duty on the full purchase price.

My clients and the buyers we are advising have been dealt a blow and this will adversely affect the holiday home market in the short term with demand falling after April next year resulting in a downward pressure on prices.

We have listed below some advice to our seller clients and to buyers:

## **Sellers**

1. Don't panic there is a strong relocation market with people from all over the UK wanting to set up home in Devon and Cornwall and this demand is growing. You don't have to sell to a second home buyer.
2. If you need to sell in the next 2 years, we advise putting your property on the market as soon as possible to beat the April deadline. At this time of year we usually advise waiting until February but we believe there will be a spike in interest now from buyers wanting to complete a purchase before the April deadline. NB Sales are taking so long to complete (3months) you need to start talking to your agent right now.
3. If your property is on the market already make sure your price is at a level that is attractive and more importantly make sure you have the right agent that understands the value of holiday let income that you may have.
4. If you don't have to sell, then keep it. Remember, the main reason why people buy a holiday home is to enjoy it with their families and friends and to let out when they are not using it. The holiday letting market is going from strength to strength. The general market for houses is predicted to grow 5% to 10% in Devon and Cornwall and buying a second home should be considered as a long term investment, so keep enjoying it.

## **Buyers**

We have seen many of our database of buyers becoming more and more serious over the last quarter of 2015 with one buyer saying "Right Miles we will stop messing around and we will definitely be buying a holiday homes in the New Year". I am sure some of our database of second home buyers will put their search on hold to see what the market does but there will be some great opportunities for buying in the coming months.

1. There is an opportunity for a good deal if you buy before April as some buyers need to sell. Make sure you are in a position to act quickly and have a solicitor that can perform.
2. Don't be put off buying a second home. You should never consider such a purchase as a quick way to earn money. If you buy correctly and holiday let, if you need to, buying property in the UK has always been a great investment in the long run. It has helped many of our clients with their pensions and is something that can be passed down to children.
3. They are still great fun to own and holidaying there will create some incredible memories for you and your family. After all it's not always about the money !!

We will monitor the situation and we are sure that there will be professionals looking at the problem and trying to mitigate the Stamp Duty charges.

I hope this has been helpful and if you are thinking of selling or just want a chat about the market please give us a call.

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