

Budget 2021 stamp duty cut in place until June.

In a welcome move for home buyers midway through property transactions, the Chancellor confirmed that the stamp duty holiday would remain in place for a temporary period.

The nil rate stamp duty land tax on sales up to £500,000 will be removed at the end of June 2021 while the Chancellor acknowledged that buyers still needed help, despite substantial house price rises over the last year, and confirmed that there would be a tapered end to the scheme.

From 1 July 2021, the nil rate band will reduce to £250,000 until 30 September 2021 before returning to the usual £125,000 on 1 October 2021. This means that nearly nine out of 10 people buying a new home currently pay no SDLT at all.

He also announced a new mortgage guarantee scheme to enable homebuyers to secure a mortgage up to £600,000 with a 5% deposit.

This scheme will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of just 5% on homes with a value of up to £600,000. Under the scheme all buyers will have the opportunity to fix their initial mortgage rate for at least five years should they wish to.

The scheme, which will be available for new mortgages up to 31 December 2022, will increase the availability of mortgages on new or existing properties for those with small deposits.

No stamp duty will continue to be payable on the first £500,000 of the price. Buyers completing before 1 July 2021 will benefit by up to £15,000.

No stamp duty will be payable on the first £250,000 of the price. Buyers completing before 1 October 2021 will benefit by up to £2,500.

Buyers due to complete between 1 April and 30 June will breathe a sigh of relief; estate agents, surveyors and mortgage brokers will rub their hands with glee; and conveyancers, exhausted by the pressure to complete before 1 April, will look ahead with dread.

The measure, part of the Chancellor's jobs package, was intended to protect the half a million of jobs in sectors sensitive to the housing market: e.g., garden centres, DIY stores, home furnishing retail, etc. Now that we have a roadmap out of lockdown, it is logical to extend furlough and the stamp duty holiday to align with it. The cost, which is baked into the stamp duty holiday, is market distortion, with buyers bringing forward their plans to move, bunching transactions during the holiday and producing a consequential fall in the number of transactions once the holiday ends – the so-called “cliff-edge”. Some drop in house prices (already 8.5% higher due to the holiday) is expected, but the real pressure on house prices would come from unemployment, not the loss of the holiday. By protecting jobs until lockdown ends, the Chancellor hopes to protect the economy and indirectly avoid a house price crash.



The pleas from professional bodies for a tapered end to the holiday have been heeded to some extent. Rather than one large “cliff-edge” there will now be two smaller ones. That said, buyers failing to complete before 1 July will lose up to £12,500, so there will continue to be pressure on many to complete before the second holiday begins: average house prices in many parts of the country exceed £250,000.