

Department of Finance: consultation on devolution of more fiscal powers in Northern Ireland

Response from Propertymark

November 2022

Background

1. Propertymark is the UK's leading professional body of property agents, with nearly 18,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and can advocate for legislative change on behalf of the sector.
2. To respond to the Department of Finance's consultation on the devolution of more fiscal powers, Propertymark held a focus group of property agents from Northern Ireland. The purpose of our consultation response is to provide greater insight into the impact Stamp Duty Land Tax (SDLT) has on the housing industry and to highlight the concerns property agents have over the Executive's proposals.

Question 1: Do you think the Executive should be provided with more fiscal powers like the Scottish and Welsh administrations have? What are your reasons for saying that?

3. Propertymark and our members believe there are several potential benefits for devolving fiscal powers to the Northern Ireland Executive. Greater control over Stamp Duty rates and thresholds will enable the Executive to ensure taxation reflects house prices in Northern Ireland and respond more effectively to price changes. In this regard, Propertymark agrees with the Independent Fiscal Commission for Northern Ireland that devolving fiscal powers provides an opportunity to create a more beneficial taxation system suited to Northern Ireland, which we have seen implemented in Scotland and Wales through their own versions of Stamp Duty Land Tax¹.
4. In addition to improving the housing market for homeowners, implementing innovative fiscal measures can spur economic activity within the private rented sector, which Propertymark members have described as being "dead on its feet" for several reasons. Firstly, between March 2019 and March 2022, the number of available properties to rent halved, with many landlords

¹ [The Fiscal Commission NI - Final Report May 2022](#)

reducing their portfolios². This has led to situations where renters pay above the asking price for rent or struggle to find places to move. Secondly, the UK Government made changes to Section 24 of the Finance Act, which resulted in landlords having their tax relief reduced since 2015 including the withdrawal of tax relief on mortgage interest relief and the introduction of an additional 3% charge when buying a second home. The opportunity to devolve SDLT, could pave the way for the Northern Ireland Executive to discuss the impact of Section 24 changes with the UK Government and seek further improvements to the tax system for landlords in Northern Ireland. The tax changes have made it difficult for landlords to join the private rented sector and forced some to reduce their portfolio size. Thirdly, the Private Tenancies Act (Northern Ireland) 2022 will require landlords to meet new standards, including energy efficiency and electrical safety standards. While Propertymark agrees with promoting higher standards within the sector, these will come with increased costs to landlords which may cause some to exit the industry. Introducing fiscal measures that reduce the cost of buying property and renting homes will encourage more people to become homeowners, to move into more suitable property and encourage greater investment in the private rented sector. This would help prevent a potential further decline in the availability of property to buy and rent that would increase costs for renters and people looking to buy homes in the long run.

5. While we recognise the positives of devolution, we do urge that the Executive takes steps to ensure new devolved powers are administered effectively. Our members are split on the introduction of fiscal powers into Northern Ireland, with 41% disagreeing that the Executive should be provided with more fiscal powers. Those who agreed with greater fiscal powers identified the opportunity to utilise taxation to encourage growth within the housing market. Those who disagreed shared concerns over the current stability of the Assembly and the delays to the implementation of corporation tax to Northern Ireland. However, it should be acknowledged that the issue members had with devolution was largely with its implementation which will need to be addressed before additional powers are devolved.

Question 2: Which taxes that the Commission recommends for devolution do you think that the Executive should seek to prioritise? Why do you say that?

6. We do not have the expertise or industry insight to pass judgement over the effectiveness of devolution of other taxes suggested. However, Stamp Duty Land Tax (SDLT) has the largest

² [A shrinking private rented sector | Propertymark](#)

impact on property agents out of the Department's proposed devolved taxes, therefore we suggest that the Executive prioritises SDLT.

7. The case for making changes to SDLT is strong. When our members were asked about the prospect of changes to SDLT, only 12% stated that it should remain at current levels. This suggests that many property agents in Northern Ireland have reservations over the current level of SDLT and it should therefore be prioritised. This includes members who do not believe fiscal policy should currently be devolved, suggesting agents would welcome changes to SDLT despite their concerns with devolution.
8. Propertymark agrees with the Independent Fiscal Commission's report on the devolution of taxes, which stated that SDLT is a strong candidate for devolution in Northern Ireland, even if continued HMRC administration might come at a somewhat lower cost. The benefits of local administration provide greater flexibility and innovation, giving the opportunity for taxes to be administered based on the needs of the housing sector in Northern Ireland.
9. When compared to other taxes, SDLT only raises around £80million per annum³, making it a prime candidate for piloting fiscal devolution. The comparatively small revenues would mean that the cut to the Executive's finances would be small compared to the potential impact it has on driving growth within the housing market and increasing the availability of homes to buy or rent.
10. The advantages to devolving SDLT could be equally advantageous for the owner-occupied sector in Northern Ireland. In a similar consultation with the Welsh Government, Propertymark welcomed the proposal for the Welsh Government to have new powers to collect revenue through the Land Transaction Tax (LTT), which is the equivalent to Stamp Duty in Wales⁴. We noted that this would have a positive impact for homebuyers and sellers in Wales and we see no reason why this could not be as equally advantageous in Northern Ireland. Firstly, this could be advantageous to home buyers and sellers in Northern Ireland because tax bands and rates could be more suited to the value of property in Northern Ireland in comparison to England which is heavily inflated by property prices in the city of London. Secondly, the tax band thresholds can be raised to support first time buyers, young people and people struggling to get on the property ladder. Additionally, raising thresholds encourages downsizers to move into more appropriate

³ [The Fiscal Commission NI - Final Report May 2022](#)

⁴ [Land Transaction Tax in Wales | Propertymark](#)

property, which frees up new homes for those looking to enter the market. Thirdly, it could lead to an increase in the desirability of property in Northern Ireland and provide an opportunity for the Northern Ireland Assembly to raise revenues that can be spent on further supporting the housing market or for other local priorities and services.

Question 3: What are your views regarding the timing for devolution of the taxes as recommended by the Commission?

11. We have no issues regarding the timing for devolution as recommended by the Commission. Our only concern is that the Executive and Assembly need to be in operation so that they can implement devolution effectively. This is a major concern for some agents within Northern Ireland.
12. We also believe that if the decision is made to devolve SDLT, then there should be a commitment to ensure that the devolution remains in place and is protected from delays brought by the opposition within the Assembly. The housing market has had sustained challenges, and this could be compounded if the devolution of SDLT is abandoned at a later stage.

Question 4: What are your views as to how the Executive could best make use of any additional fiscal powers? Should the Executive be seeking such powers to raise or lower certain taxes? Where might the Executive use taxes as policy levers to change behaviours? And do you think increased local taxation should be used to better fund public services in line with local needs and circumstances?

13. When making use of additional fiscal powers, we encourage the Executive to review the impact Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT) has had in Scotland and Wales. In Wales, LTT was designed to support first time buyers into the market, however, we would also encourage that rates, thresholds, or exemptions be explored for buyers looking to downsize or move when they retire. By encouraging downsizing, property can be freed up for first-time buyers which helps to prevent stagnation in the housing market as there would be a greater supply of property to move to. In Scotland, the Scottish Parliament have been able to increase revenues while increasing thresholds by increasing rates on very high valued properties.

To this end, if the Executive is looking to increase revenues, it must be done so in a way that minimises the negative impact on people's ability to move or buy property.

14. The view of Propertymark members is that fiscal powers raised from SDLT should be ringfenced to support investment in the housing sector. While the Private Rented Sector (PRS) has increased in size in recent years, data from the most recent survey of private landlords in Northern Ireland suggests that supply of available properties could decrease. 12% of landlords in Northern Ireland in 2019 expressed that they would reduce the number of properties they own or leave the rental market, which is more than the 7% who were planning to increase the size of their portfolios⁵. The impact of landlords selling their portfolios is likely to reduce the number of available properties to rent which would result in fewer housing options for the vulnerable and potentially higher rental costs across the sector. This is especially important when considering the cost-of-living crisis and how many renters could be priced out of the PRS.
15. Considering the impact SDLT has on the availability of housing stock, over half of Propertymark members surveyed stated that the amount of SDLT that people pay should be decreased, with a further 35% stating that property taxes should be aligned to reflect house prices in Northern Ireland rather than UK house prices. Lowering SDLT helps people to invest in rental properties, reducing the impact of landlords leaving the sector, and helps homebuyers onto the property ladder. It should be noted that reducing SDLT has proven to be effective in increasing house sales, which benefits both the private rented sector and homeowners. When the Stamp Duty Holiday in England was introduced in July 2020, prospective house buyers increased by 40% which led to a 14 year high for sales agreed during the month of January⁶.
16. Propertymark agents expressed strong support for measures that would support growth within the Private Rented Sector, citing low levels of housing stock due to landlords exiting the sector or unwilling to invest. With the introduction of the Private Tenancies Act (Northern Ireland) 2022, our members are reporting that the cost to ensure compliance with the new energy efficiency and safety regulations, which could reach £5000-£7000 per home, will lead to a further increase in landlords leaving the market. Given that most landlords in Northern Ireland are small-scale and 9% cannot afford an unexpected £500 repair bill, these costs are going to be very difficult to cover and smaller landlords will need access to financial support⁷. The

⁵ [Survey of Private Landlords 2019 Key Findings \(nihe.gov.uk\)](https://www.nihe.gov.uk/survey-of-private-landlords-2019-key-findings)

⁶ [Possible stamp duty extension | Propertymark](#)

⁷ [Most landlords in Northern Ireland are small-scale, but experienced | Housing Rights](#)

comparatively low market value of housing in Northern Ireland exacerbates this issue as the additional costs are expected to be a large percentage of the value of each property. This increased cost combined with the additional 3% Stamp Duty and decrease in support available to landlords is contributing to the industry's stagnation and supply issues which will need to be addressed. We therefore urge the Executive to consider additional fiscal measures that would encourage investment to the sector that would increase the availability of rented accommodation. This would reduce rents and prevent situations where renters are stuck in poor accommodation due to the lack of available homes to rent.

17. We should express that while the current market would benefit from increased demand, devolution would enable the Executive to use fiscal powers as a demand management tool. This would help increase growth in the market when required but also provide stability if growth is unsustainable and the market is at risk of crashing.

Question 5: What are your views on how any newly devolved fiscal powers might be administered?

18. The Executive should consider establishing a department specifically for the administration of devolved taxes. This was the most popular suggestion that was shared with our members, with the second and third being administered by the National Assembly and at a local level. When establishing the new department, it must include representatives that understand the impact SDLT has on the housing sector as well as an understanding of the local property sales market.
19. Firstly, if SDLT was devolved to Northern Ireland, we would recommend that to ensure that home buyers and sellers are not confused, that there is a replication of current SDLT processes and systems to provide stability and ensure that procedures used to collect and manage the tax continue to be understood. Secondly, the Northern Ireland Executive should issue clear guidance to reassure home buyers that the devolution of SDLT is a replacement tax rather than an additional one. Thirdly, the Northern Ireland Executive should maintain current reliefs and exemptions under SDLT in its current form and consider extending these past the UK Government's proposed phasing out stage. Fourthly, the Northern Ireland Executive should issue guidance when land transactions involve the acquisition of a chargeable interest where the land is partly in the Republic of Ireland.

Question 6: Are there any other issues related to fiscal devolution, perhaps not covered in the Commission's Final Report or where you have a different opinion, which in your view should be considered by the Executive?

20. The Executive should also consider discussing with the UK Government, the impact of tax changes to Section 24 of the Finance Act which was introduced by the UK Government. This included the withdrawal of tax relief on mortgage interest payments that was replaced with a 20% tax credit and the 10% Wear and Tear Allowance. When combined with the additional duties on landlords coming through the Private Tenancies Act (Northern Ireland) 2022 and rising mortgage costs due to inflation, landlords have seen their costs increase but a reduction in the support available to them. Rolling back support in place to what landlords had previously benefited from can ensure that landlords continue to hold onto their property. This was the favoured measure by 64% of Propertymark members when asked which additional taxation policies they would support. Most of the remainder members suggested that the Executive should provide greater access to grants such as the Repairs Grant.