# Taxing times

Anyone watching last week's autumn statement will have been left with a distinct sense of déjà vu. A year after bringing in the most drastic stamp-duty reforms in a generation, George Osborne was at it again, this time taking a pop at holiday-home buyers and buy-to-let landlords, who from April 1 must pay a 3% surcharge.

The chancellor dressed it up in a manner that would have made Jeremy Corbyn proud, saying he wanted millionaire foreign investors to pay more tax to fund new homes. The reality is rather different. Countrywide, Britain's biggest estate-agency group, says the average landlord spends £179,800 on a buy-to-let flat, which today attracts £1,096 stamp duty. In April, that tax bill will rise to £6,491.

The shock announcement comes 12 months after the chancellor increased the top rate of stamp duty from 7% to 12%, a move that has split the housing market in two. Homes priced above £937,500 now incur more duty than before — tens or even hundreds of thousands of pounds more in the case of multimillion-pound properties — while those below this threshold attract less tax. Transactions appear to have been affected: in the first eight months of this year, the number of £2m-plus homes sold fell by more than one fifth, while sales between £250,000 and £1m rose by almost 7%.

The split exists because, on December 3 last year, Osborne won the support — and votes — of buyers by slashing duty on the majority of properties. He also ramped up the levy on the most expensive homes, making the mansion tax proposed by the then Labour leader, Ed Miliband, redundant. This tactic may have helped the Tories to win the election, but it hasn't won the chancellor any friends at the prosecco-fuelled Christmas parties thrown by estate agents.

"A £6m house purchase now demands an extra £213,750 in tax," says Sophie Rogerson, co-founder of RFR, a Chelsea-based property search company. "That's 15 years of family holidays, a Ferrari 458 or educating a child through private school and university."

Data prepared for The Sunday Times by Countrywide shows that in the first nine months of 2015, 7,292 homes priced at between £1m and £2m were sold in England and Wales. In the same period last year, when the stamp-duty level for this bracket was much lower, sales were 6% stronger at 7,718.

The real effect, however, kicks in at £2m and up — largely properties in central London and the Home Counties — with only 1,847 sales between January and September. That is 22% down on the same period in 2014.

The news is not all bad — if you are a tax collector. Figures from LonRes.com, a property data company, show that the total amount of stamp duty paid on homes in prime London costing more than £5m between January and October was 28% higher than in the same period last year, even though the number of properties changing hands fell by 20%.

In any case, the fall in high-value sales isn't all Osborne's fault, according to Johnny Morris, research director at Countrywide. "The top end of the market would be just as bad if he hadn't even touched stamp duty." Morris says jitters over China and other emerging economies have deterred the kind of


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## How sales have changed since the 2014 stamp-duty reforms

| | £250k-£500k | £500k-£1m | £1m-£2m | £2m+ |
|---|---|---|---|---|
| Jan-Sept 2014 | 142,659 | 37,504 | 7,718 | 2,355 |
| Jan-Sept 2015 | 152,986 | 39,530 | 7,292 | 1,847 |
| Change, 2014 to 2015 | +7% | +5% | -6% | -22% |

Source: Countrywide

British buyer who is able to afford a high-end property, while foreign investors have been hit by the strong pound, which has made homes look overpriced. "Then there's the natural cycle," he adds. "Prices in prime central London in particular have had a strong run for many years — they were bound to fall back a little at some point."

As a result, desperate vendors and worried agents are introducing special offers as they try to bring buyers out of the woodwork. Last week, the Knightsbridge estate agency Patterson Bowe staged a 24-hour "Black Friday" offer, charging new sellers only 50% of its usual fees. Of the 2,330 homes listed for sale in Kensington & Chelsea on Zoopla, 630 have had a price cut.

Then there are the stamp-duty enticements, where vendors and developers are offering to foot the bill for the higher tax. A flat in One Hyde Park, Knightsbridge (pictured above), is on the market for £75m through Aylesford International estate agency. The seller, a British businessman, says he's willing to pay the £8,913,750 stamp duty — almost 12% of the asking price.

In Hammersmith, west London, a townhouse marketed for £899,950 by Haus Properties is being sold with its £34,997 stamp duty paid, while Barratt Homes says it's willing to cover a total of about £200,000 stamp duty on four apartments in a Westminster office block that has been converted into homes, with asking prices ranging from £975,000 to £1.295m.

Some sellers are practically offering to throw in the kitchen sink. "The vendor of a palatial apartment is gifting an original Damien Hirst to the buyer of his home if it attains the asking price of about £15.5m," says Martin Bikhit, managing director of Kay & Co estate agency. "A vendor in Mayfair is also discreetly marketing his property, on sale for about £8m, with the promise of a new Rolls-Royce Ghost for the purchaser."

Yet buying agents advise people to treat such apparent generosity with caution. Rachel Thompson, a partner at the Buying Solution, says: "A lot of 'offers'