2013 BUDGET PREDICTIONS

Ahead of Wednesday’s Budget announcement, Debbie Taylor, head of land & new homes at BNP Paribas Real Estate, the leading property adviser, speculates on potential changes to the residential property market:

“We do not expect that the long awaited details of the new residential property tax will be announced as part of the Budget. However, we do expect to hear about it soon afterwards. There is currently a debate over how this will be calculated and it may be based on a valuation of the property with bands of approximately £50k. A figure of 0.5% of the property’s value had been mooted by the IMF, although it is likely that the average tax will be in the region of £300 to £500 per house.

Converting empty offices and shops into new homes in order to solve the country’s chronic housing shortage is growing in support and we expect relaxation of the planning regulations. On Wednesday, we would like to see an introduction of time limited capital allowances for such conversions to incentivise developers to start projects quickly.

With regards to first time buyers, The Council of Mortgage Lenders has urged the Chancellor to extend the NewBuy scheme, which allows buyers into the new housing market with a 5% deposit – ideally, we would like this scheme run to at least 2015.

A reform of stamp duty looks unlikely in the upcoming Budget, but we would be keen to see the reintroduction of the £250k stamp duty threshold for first time buyers, which expired last March. We would also like to see the re-introduction of tax relief on mortgage interest or even a stamp duty holiday for first time buyers.

The Liberal Democrats have been pushing for a mansion tax as a higher SDLT rate, but we do not predict it is likely to be adopted by this Government and definitely not now. They may potentially propose a higher council tax for high-value residential properties.

Although highly unlikely, we would like to see the introduction of property tax exemptions for purchasers of new residential property for three years. Given that a large portion of the sales proceeds of each house goes to the exchequer, this would be an incentive for the property sector. If the Government was also able to provide a grant or additional tax credits for house extensions or home improvements, we feel this would help boost the sector.”

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