

# Report on National Statistics Review of Property Transactions

## 1. Summary

1.1 Up until April 2008 HMRC published on their website:

- Monthly counts of property transactions processed in England and Wales and England, Wales and Northern Ireland with seasonally adjusted figures for England and Wales;
- Distributions of transaction counts processed, by price and type, for the last three years of available data, for England and Wales with a separate table for Scotland;
- Transaction counts processed, by region and type, for the last three years of available data, for Great Britain;
- Distributions of transaction counts processed, by price and type of purchaser for the last three years of available data, for England and Wales;
- Quarterly counts of property transactions processed in England and Wales and Northern Ireland by liability to stamp duty.

In the past an annual table of distribution of transaction counts processed by price and type of seller for the last three years of available data was published but it has not been possible to update this table beyond an analysis for 2003 due to data changes.

1.2 The Office for National Statistics (ONS) encourages producers of National Statistics to keep them under review in order to maintain and improve quality and ensure that they continue to meet user needs. Because of this, along with other concerns, last year a review of these outputs was set in motion which included inviting key customers to indicate which outputs they use, and what changes would benefit them. The review had the following aims:

- Improve the quality of published statistics on property transactions;
- Develop the content and format to meet the needs of our users better;
- Consider whether the coverage of our statistics could be improved in areas where there is high user demand;

- Conversely, consider whether any statistics could be dropped in areas where there is low user demand.
- 1.3 Following the consultation analyses were produced to test whether the proposals in mind, which were also supported by the consultation, were feasible and would result in improved statistics.
- 1.4 **As a result of the review the following changes will take place to our published monthly statistics:**
- **Analyses will be based on date of completion of a sale rather than the date the transaction was awarded a stamp duty land tax (SDLT) certificate;**
  - **The largest geographical unit of analysis will move from England and Wales to the United Kingdom (UK) and seasonally adjusted counts will be for the UK;**
  - **UK counts of transactions will additionally be split into residential and non residential counts. Residential UK counts will be seasonally adjusted;**
  - **Total counts will include separate figures for countries within the UK.**
- 1.5 Counts in all cases will be of transactions over £40,000 in line with a change to the notification threshold announced at Budget 2008. This change, together with the move to publishing UK transactions, was implemented in April 2008. Additional UK annual tables, to supplement the Great Britain and England and Wales tables described at 1.1 were published in June.
- 1.6 The rest of this report discusses the initial suggested changes, consultation responses and further analyses which led to the changes in the monthly property statistics described in section 1.4.

## **2. The Review**

### **2.1 Review process**

During the review the following process was followed:

- Key users were identified and emails were sent out a fortnight prior to the consultation being launched on the HMRC website, which contained a questionnaire (Annex B) for users to complete;

- Any person or organisation that made a property transactions-related request during the review period was also made aware of the review and asked to complete the questionnaire;
- Regular users, the Bank of England and HM Treasury, were met with to discuss their views and implications of potential future developments;
- The various internal and external requests made to the team were considered and the lessons to be learnt from those.

Out of the seventeen organisations directly contacted only **five** responded to the consultation (Annex A), but these included the largest regular users that are already known of. The next section summarises the key findings from the consultation responses.

## **2.2 Current usage of tables**

2.2.1 This can be summarised as follows:

- Of the five respondents four had previously viewed the tables;
- Of the four who had viewed the tables all had used the monthly seasonally adjusted figures and two the non seasonally adjusted figures;
- The two who used the non-seasonally adjusted figures had also used the annual regional tables;
- Out of the four respondents who had actually used the data, three respondents used our data for analysis of the property market. One respondent used it as supplementary information;
- Two respondents saw the data as essential to fulfilling their own work requirements, whilst two respondents used it for background information.

## **2.3 Respondent suggestions**

2.3.1 One respondent suggested that a compendium document is published with all of the tables (presumably excluding the monthly property transactions) in one PDF file. Another suggested enlarging the print size of the text for the tables (as opposed to the screen size, which can be enlarged within the PDF viewer).

It was also suggested that the information given for Northern Ireland and Scotland is improved. Respondents also suggested various other improvements, such as the incorporation of diagrams and graphs, breaking down data into smaller local levels, and the segregation of leasehold transactions into capital and rental elements.

## **2.4 Proposed developments and reactions from consultation**

2.4.1 Respondents had been told that HMRC are considering:

- Developing a UK series;
- Developing a separate residential and non residential series;
- Moving from counting forms processed to transactions completed.

2.4.2 Three of the four respondents who viewed the data commented on our proposed work on developing a UK-wide series. This would be welcomed as it would make the data consistent with other series, as well as assisting the work of other departments who also operate on a UK basis. As regards to developing a residential and commercial series, this would also be welcomed by all five of the respondents, as it would assist particular work areas within their own departments.

2.4.3 With reference to the creation of a new series based upon the numbers of transactions completed in each month, two out of four respondents to this question said unequivocally that this would be useful as it would provide a better picture of transactions activity. The other two respondents were more cautious, and stated that this development would only be welcomed if a lengthy and consistent historical series could be provided. In fact, respondents expressed their desire for historical data in all the proposed development areas.

## **2.5 Budget 2008 changes**

In the Pre-Budget Report 2007, the Chancellor announced various measures relating to tax simplification.<sup>1</sup> One of these measures was introducing a notification threshold of £40,000 for all freehold and leasehold transactions at Budget 2008. This had the intention of removing the need for non-residential and residential properties below the threshold to file SDLT returns. This measure has important implications for the property transactions series. As a result, a short discussion of the effects of this change, and the ways we propose to deal with it, has been included in Annex C.

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<sup>1</sup> 2007 Pre-Budget Report and Comprehensive Spending Review - October 2007 - Cm 7227: p. 68.

### **3. Proposed changes to monthly property transaction tables with supporting analyses**

#### **3.1 Introduction of a seasonally adjusted property transaction count series for the UK**

3.1.1 This was consulted on in question 10a of the questionnaire and received a favourable response. It has in fact already been implemented as the change to the notification threshold in March provided a natural starting point for a new series, as it was simply not possible to continue the England and Wales series on the same basis as before. This is the only change described in this report which was implemented before the release of the report.

3.1.2 Reliable data for the UK, for transactions over £40,000, only exists back to April 2005, when the new SDLT data became complete. The data has been seasonally adjusted using a manual multiplicative decomposition method as there were concerns that the X11ARIMA program used to seasonally adjust the old England and Wales series did not have a long enough series for a reliable adjustment.

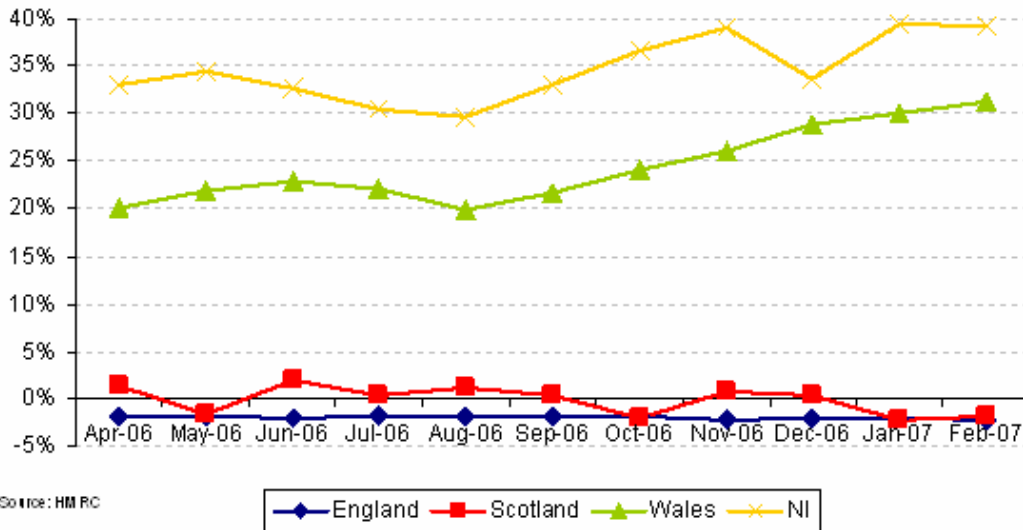
#### **3.2 Introduction of separate property transaction figures for countries of the UK**

3.2.1 This is a change which was not one of the changes put forward in question 10 of the survey. However, it was suggested that figures for Scotland and Northern Ireland are improved as reported at 2.3.1 and from time to time requests are received for information about transaction volumes in constituent countries of the UK. Also, by producing separate figures it will be possible to combine monthly counts into common groupings e.g. England and Wales.

3.2.2 In producing separate tables for countries of the UK the opportunity will be taken to improve the assignment of transactions to countries. Part of the problem in the past has been that the property transactions database has been unable to attribute a considerable proportion of transactions to a particular UK region (England, Northern Ireland, Scotland, Wales) based on postcode. The current process allocates unidentifiable transactions on the basis of the proportion of identifiable transactions. However, by analysing the local authority code assigned to a particular property transaction, which is directly entered onto the SDLT form, it is possible to allocate a higher proportion of transactions to a particular region. Chart 1 illustrates the percentage change in the number of transactions by country in 2006-07 that are observed when using local authority code rather than postcode to allocate transactions to country:

**Chart 1 All Transactions:**

**% Changes in transaction numbers when changing from postcode to local authority code allocation**



3.2.3 It is clear from chart 1 that there were a disproportionate number of Welsh and Northern Irish transactions in the transactions which were unallocated when allocation was on the basis of postcode.

3.3 Change in the time basis of the series from date certificate issued to the completion date of property transactions

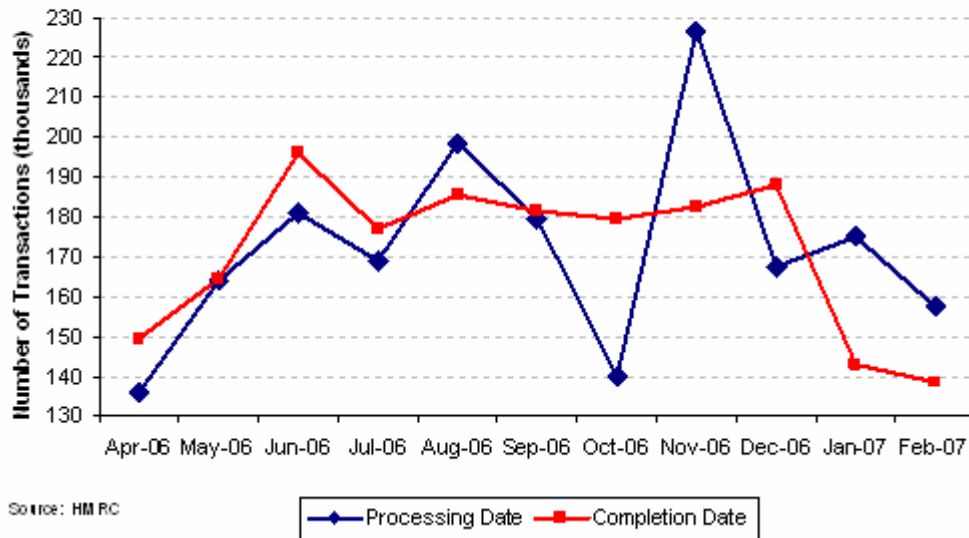
3.3.1 This was consulted on in question 10c of the survey and received a favourable response provided a suitable back series could be given.

3.3.2 HMRC currently determine the month to which a particular transaction is assigned in terms of the date the customer receives a SDLT certificate rather than when the actual transaction is finalised, i.e. the completion date. This means that currently transactions are assigned to a month according to a processing date. This can lead to a lag between the transaction effectively occurring and its assignment to a month, particularly during holiday periods and periods where there are processing problems.

3.3.3 To illustrate the difference in the two methods of date assignment, chart 2 illustrates the number of UK transactions in each month of 2006-07 with a date of certificate issued assignment and an assignment by date of completion:

**Chart 2 All Transactions:**

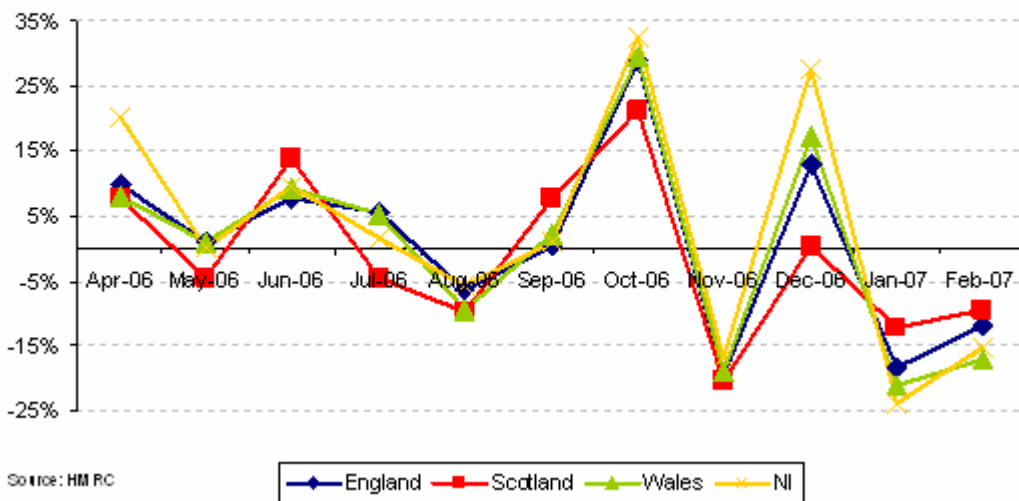
Changes From Processing Date to Date of Completion



3.3.4 Chart 3 also illustrates the percentage change that we would expect to see in each month of 2006-07 as a result of switching from date of certificate issued to the completion date for each country of the UK (with transactions assigned to country using the proposed geographical indicator).

**Chart 3 All Transactions:**

Percentage Change in volumes for each month of 2006-07 associated with switching from Date of Certificate Issued to Date of Completion, by country



- 3.3.5 These charts demonstrate that implementing this change would have a significant impact on the current data series. This is especially the case for months where there were data processing problems, e.g. October and November 2006. However, it is likely that implementation will lead to the property transactions data series providing a more realistic picture of the property transactions market, unconfounded by processing considerations. Chart 2 shows that the proportional change will usually be fairly similar for each country although this will not always be the case, e.g. December 2006.
- 3.3.6 The major consideration to take into account before implementing this change is the effect of lags between what we want to count and when it is available on the system for counting. There is a lag between the completion of a property sale and the sale being available for the series. This partly reflects the fact that solicitors do not have to send the information to HMRC straightaway and partly reflects the need to reject some data for incompleteness or errors. In other words, although a transaction may be carried out in a particular month, it may not be until the following month (or months) that the transaction is processed and a certificate is issued for that transaction. If the transaction is satisfactorily processed in the early part of the month following completion then there are no issues. However if the transaction is processed later than this then assuming we want to publish counts of transactions on the 21<sup>st</sup> of the month after completion (this is when we published counts based on date of certificate issued) then we will have to estimate for the missing transactions.
- 3.3.7 To examine data lag, and determine an appropriate delay in publishing a particular month's data, an analysis of the lag between completion and the date a certificate was issued was applied to completions data from January 2006 to June 2007. This is summarised table 1, below, and chart 4, overleaf, based on the data available for analysis in November 2007. These figures provide an illustration of lags but do not indicate the size of the grossing factor which will be required, which will be given by:

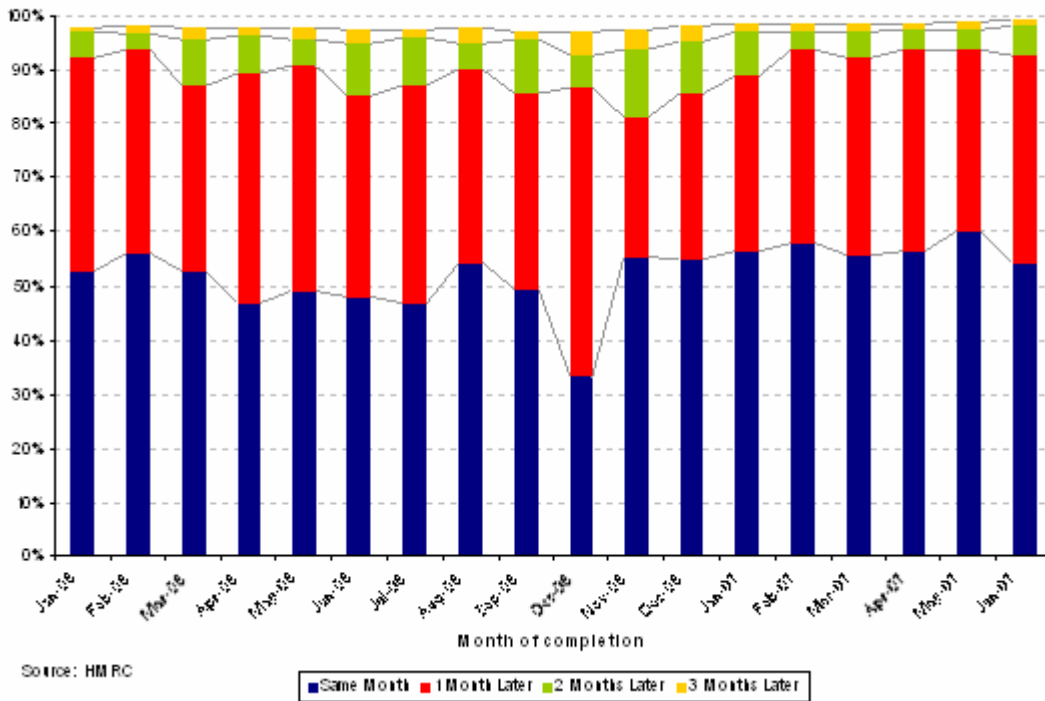
Final count of completions for a month

Completions for a month, on the system by the second week of the following month.

**Table 1: Cumulative proportion of transactions with certificate issued in the same and later monthly periods (non cumulative monthly figure in brackets)**

	<b>Same month</b>	<b>1 month later</b>	<b>2 months later</b>	<b>3 months later</b>
<b>January 2006</b>	52.7%	92.3% (39.6%)	96.9% (4.6%)	97.9% (1.0%)
<b>February 2006</b>	56.0%	93.7% (37.7%)	96.7% (2.9%)	98.0% (1.4%)
<b>March 2006</b>	52.9%	84.2% (34.3%)	95.8% (8.5%)	97.7% (2.0%)
<b>April 2006</b>	46.8%	89.3% (42.5%)	96.3% (7.0%)	97.7% (1.4%)
<b>May 2006</b>	49.0%	90.8% (41.8%)	95.6% (4.8%)	97.8% (2.2%)
<b>June 2006</b>	47.9%	85.2% (37.3%)	95.1% (9.8%)	97.5% (2.5%)
<b>July 2006</b>	46.7%	87.2% (40.5%)	96.0% (8.8%)	97.4% (1.4%)
<b>August 2006</b>	54.2%	89.9% (35.8%)	94.9% (5.0%)	97.9% (2.9%)
<b>September 2006</b>	49.3%	85.5% (36.2%)	95.5% (10.0%)	97.2% (1.7%)
<b>October 2006</b>	33.2%	86.7% (53.5%)	92.8% (6.1%)	97.1% (4.3%)
<b>November 2006</b>	55.5%	81.3% (25.8%)	93.9% (12.6%)	97.6% (3.7%)
<b>December 2006</b>	54.8%	85.6% (30.8%)	95.2% (9.6%)	98.3% (3.1%)
<b>January 2007</b>	56.4%	89.0% (32.6%)	96.9% (7.9%)	98.4% (1.5%)
<b>February 2007</b>	57.9%	93.8% (35.9%)	96.9% (3.2%)	98.7% (1.7%)
<b>March 2007</b>	55.7%	92.3% (36.6%)	97.1% (4.8%)	98.5% (1.4%)
<b>April 2007</b>	56.6%	93.9% (37.3%)	97.4% (3.5%)	98.7% (1.2%)
<b>May 2007</b>	60.2%	93.8% (33.6%)	97.5% (3.7%)	98.9% (1.4%)
<b>June 2007</b>	54.1%	92.7% (38.6%)	98.0% (5.3%)	99.3% (1.3%)
<b>Source</b>	HMRC			

**Chart 4 Transactions with certificate issued in a particular period**

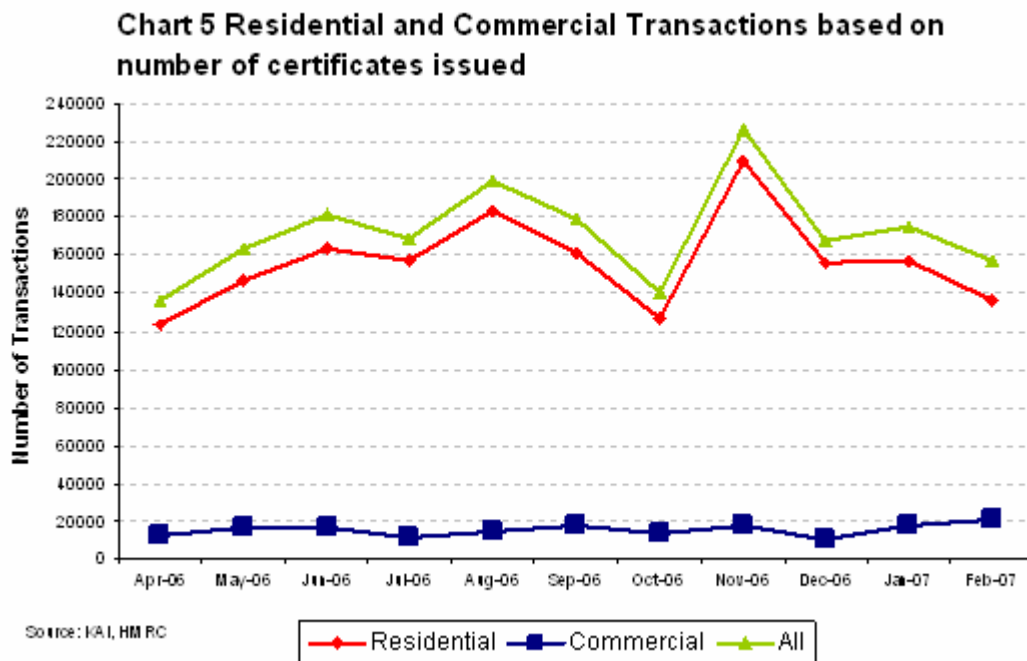


3.3.8 According to data collected so far a grossing factor of 1.16 will need to be applied to the count of completions for a month, taken in the second week of the following month, to get an estimate of the full completion count for publication. For the revised count published a month later a grossing factor will be required (currently estimated at) as there will still be a modest number of transactions being processed which were completed around two months previously. For completions three months or more before the month of publication the count of completions will be updated, if required, but no grossing factors will be applied.

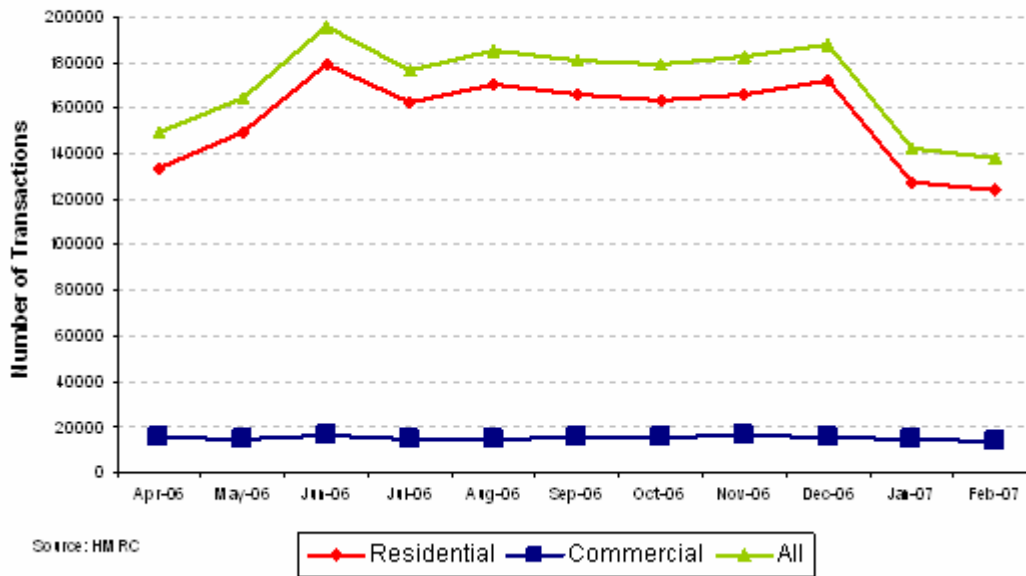
3.3.9 Both table 1 and chart 4 above show how the count by date of certificate issued is affected by bottlenecks in the system, as illustrated by the figures for October 2006. The count by date of certificate issued, taken at the end of October only picked up around a third, instead of a half, of transactions completed that month. If taken part way into the following month (as would have been done in practice) a lower proportion of transactions would be still picked up than normal. However, if the date of completion had been used the final completion count would not be susceptible to such interruptions in administrative processing (although the initial count may be an underestimate as the grossing factor applied may be too small, as it is based on months with normal processing lags).

## 4 Introduction of a separate residential and commercial property transaction series

- 4.1 The final change recommended by survey respondents was a separate series for residential and commercial transactions. This was surveyed at question 10b. The desire for a separate series also chimes with enquiries that are received by HMRC. Charts 5 and 6 below give separate UK counts for residential properties and commercial properties. The first graph gives counts on a certificate issued basis and the second on the new completion basis:



**Chart 6 Residential and Commercial Transactions based on number of completions**



4.1.1 As residential transactions make up around 90 per cent of all transactions by volume chart 5 and 6 show a similar line for residential transactions and all transactions. Again, the transactions completed line is more stable as it is not affected by processing issues.

4.1.2 Currently seasonal adjustment is performed on the series representing UK total transactions processed over £40,000, following changes made in April. The new UK count of completions over £40,000 will continue to be seasonally adjusted but in addition the UK count of residential completions over £40,000 will be seasonally adjusted, which is expected to prove useful to those whose main interest is the housing market.

## 5. Conclusions

5.1 This report has reviewed the results of a survey carried out as part of the HMRC's National Statistics review of Property Transactions statistics. It has also presented some statistical analyses carried out following the comments made by the respondents on the suggested improvements.

5.2 The low number of respondents to this report suggests that there are a small number of key regular users of the property transactions data series. From their responses, it appears that the seasonal England and Wales monthly figures are the most frequently used. Despite this, there is a clear demand for a UK series, and a data series more representative of the UK as a whole, with

one respondent questioning why Northern Ireland and Scotland are underrepresented in the current data series.

- 5.3 The questionnaire also explored respondents' concerns about some of the proposed work areas in property transactions statistics. These areas include improving the geographical identifier used for the property transactions, the publication of a UK wide series, disaggregating the data into residential and commercial property transactions, and using an alternative time variable, based upon the date of transaction rather than an event in the processing of a transaction.
- 5.4 The majority of respondents stressed the need for a consistent data series, along with a sizable back series. We are able to provide consistent data back to April 2005.
- 5.5 The report also explored the analytical consequences of making the proposed changes. There are no anticipated problems in implementing sub-UK series using an improved geographical variable as it reduces the need to estimate the location of unassigned transactions. The remainder of the changes, however, required more cautioned consideration due to the more pronounced effects on the data series.
- 5.6 By introducing an alternative time variable, the report showed that there would be a significant smoothing of the data series, particularly where there were delays in the physical processing of a transaction. As a result of this smoothing, the alternative variable has had a pronounced effect on the data. However the data lag (between completion and processing) associated with moving to counting completions will not be an insurmountable problem with appropriate estimation techniques.
- 5.7 By splitting the data series into separate residential and commercial series, the property transactions statistics will be able to better meet users' needs. As well as users getting a seasonally adjusted UK total transaction series they will also get a seasonally adjusted residential series, which should prove useful to those whose main concern is the housing market.
- 5.8 This consultation has highlighted that there is both a demand and a capability for HMRC to improve upon their property transactions statistics. As a National Statistics series, it is important to meet the needs of our customers. It is fundamental that any changes are implemented with a view to meeting our users' needs by keeping them informed of any changes, and providing them with supporting historical analyses, where necessary and possible. It is hoped that these changes will improve significantly the service offered to customers. However if there are further comments or suggestions please put them in an email addressed to [peter.smedley@hmrc.gsi.gov.uk](mailto:peter.smedley@hmrc.gsi.gov.uk)



## **Annex A – List of Respondents**

Bank of England

Department for Communities and Local Government

Department for Social Development, Northern Ireland

HM Treasury

Valuation Office Agency

## **Annex B - Questionnaire**

### **National Statistics review of property transaction statistics published by HMRC**

- **The National Statistics review and questionnaire:**

The purpose of this questionnaire is to consult the users of HMRC's property transaction statistics in order to develop its content and format to meet the needs of its users better. Questionnaire responses will be used to generate a set of proposals for improvements which we will consult on. We envisage any changes being implemented from Summer 2007 onwards.

- **About HMRC's property transaction statistics:**

Please visit the property transaction statistics page. Until 2000, they were also published in paper form as *Inland Revenue Statistics*.

HM Revenue and Customs (HMRC) publish a series of National Statistics on a monthly basis online. They are also published via Office for National Statistics in Table 4.05 of the Economic and Labour Market Review (formerly Table 5.5 of Economic Trends).

A monthly count is provided for the following series:

- Non-seasonally adjusted England and Wales property transactions;
- Seasonally adjusted England and Wales property transactions; and
- Non-seasonally adjusted England, Wales and Northern Ireland property transactions.

In addition to the above, a summary of quarterly non-seasonally adjusted property transactions for England, Wales and Northern Ireland is published by HMRC online as soon as a full quarter of data becomes available (Table 16.5).

HMRC also publish a series of tables which are updated annually:

- Table 16.1 - Analysis by type of property and range of price for England and Wales
- Table 16.1a - Analysis by type of property and range of price for Scotland
- Table 16.2 - Analysis by type of property and region
- Table 16.3 - Analysis by type of seller and range of price
- Table 16.4 - Analysis by type of buyer and price

**The questionnaire begins on the next page.**

## Property transaction statistics questionnaire

You can complete this questionnaire electronically and send it back to us via email or by printing (you may wish to expand the boxes first) and sending it back to us by post. The deadline for returns is 13 July 2007. Contact details are at the end of the questionnaire.

Please note it is not necessary to complete all questions in the questionnaire in order to contribute to the review. However, we will be able to act upon your feedback more fully if the questionnaire is completed in its entirety. If you need assistance in completing the questions please contact us using the details at the end of the questionnaire.

This questionnaire is designed to be completed electronically, using Microsoft Word. If you need to complete it by hand, you may need to expand some of the response boxes before printing the questionnaire, to provide enough space for your responses. You may continue your answers on a separate sheet and/or attach supporting documents. If you do so, please label the additional material with the question number to which it refers.

### Information about you:

In order for us to (a) understand the range of users of HMRC's property transaction statistics, and (b) contact you if we need to clarify any points, it would be helpful if you could provide the below brief details about yourself. Unless you state otherwise we may publish your response to the consultation.

If you wish your response to remain confidential please  cross this box:

### Your name

**Contact details** (email address and/or telephone number – will not be published)

If completing the questionnaire in the capacity of your role in an organisation:

### Organisation name

### Your title in the organisation

**Type of organisation (please put a cross in one or more boxes)**

Central Government department	
Local Government	
Other public sector body	
Educational establishment	
Other research body	
Property investment company (inc. REITS)	
Solicitor/Conveyancer	
Bank/building society	
Other private/commercial organisation	
Trade/industry association	
Charity	
Other category (please specify below)	

**Questions about property transaction statistics:**

**We will assume in all the following questions that if you refer to table numbers they relate to tables published on the HMRC website unless you specify otherwise.**

	Daily	Weekly	Monthly	Quarterly	Annually	Less Often
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**Your current use of property transaction statistics:**

1. How often do you access any of our property transaction statistics at present? *Please put a cross in ONE box for each table only.*

Table 16.1						
Table 16.1a						
Table 16.2						
Table 16.3						
Table 16.4						
Table 16.5						
Monthly Property Transactions						

2. Which publication medium of monthly property transaction statistics do you use? *Please cross one box.*

HMRC website	<input type="checkbox"/>
Office for National Statistics website	<input type="checkbox"/>
Both	<input type="checkbox"/>
Do not use the monthly figures	<input type="checkbox"/>

3. What specific data do you use in property transaction statistics? Please cross one or more boxes.

Distribution of property numbers/values by price	<input type="checkbox"/>
Distribution of property numbers/values by property type	<input type="checkbox"/>
Distribution of property numbers/values by region	<input type="checkbox"/>
Distribution of property numbers/values by seller	<input type="checkbox"/>
Distribution of property numbers/values by buyer	<input type="checkbox"/>
Distribution of property numbers/values by price by property type	<input type="checkbox"/>
Distribution of property numbers/values by region by property type	<input type="checkbox"/>
Distribution of property numbers/values by seller by property type	<input type="checkbox"/>
Distribution of property numbers/values by buyer by property type	<input type="checkbox"/>
Monthly count of Property Transactions – Non-seasonal: England & Wales	<input type="checkbox"/>
Monthly count of Property Transactions – Seasonal: England & Wales	<input type="checkbox"/>
Monthly count of Property Transactions – Non-seasonal: England, Wales & NI	<input type="checkbox"/>

4. What is the main use of the statistics that you access (for example, validation of other sources, analysis of the property market)?

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5. For your uses, how would you rate the overall importance/usefulness of the statistics? *Put a cross in one box.*

Essential	<input type="checkbox"/>
Very important	<input type="checkbox"/>
Fairly important	<input type="checkbox"/>
For background information only	<input type="checkbox"/>



6. What other sources of property transaction data do you use? For each please say whether you use in conjunction with HMRC data or separately. If in conjunction with HMRC data, specifying the particular source, then say which data series is the primary source.

Source	Used with HMRC data? If so, which source(s)?	Primary Source

**Improving the clarity, usability and accessibility of HMRC's property transaction data:**

7. Do you use the following to help you understand the data and are they clear and easy to use?

a) Table notes:

Are they clear?	
If not, why?	
How can we improve?	
Do not use ( <i>insert cross</i> )	<input type="checkbox"/>

b) Footnotes:

Are they clear?	
If not, why?	
How can we improve?	
Do not use ( <i>insert cross</i> )	<input type="checkbox"/>

8. Please comment on the following aspects of the publications.

a) Is the source of the data clear?

b) Is the coverage of the data clear?

c) Are there any further metadata (detail or descriptions of data) for the statistics which should be added?

d) HMRC's property transaction statistics are published electronically on the HMRC website (PDF, Excel XLS tables). Do you have any suggestions for changes to the current publication media in terms of either new formats or changes to the existing formats? Please give reasons.

### **The timing of statistical releases**

9. The monthly property transaction statistics are published around the 21<sup>st</sup> calendar day. Do you have comments on the publication schedule (please give reasons for any suggestions for change or keeping things as they are):

a) Timing within each month?

b) Frequency?

c) Length of time series?

### **New, additional or different presentations of data:**

10. There are a number of ways in which the published property transactions series might be developed in future. The new SDLT administrative system opens up opportunities to improve our published statistics. Please comment on how the developments detailed overleaf are likely to affect your use of our statistics, whether you would welcome these or not, and any additional requirements resulting from these, such as historical data.

a) Creation of UK seasonally adjusted and non-adjusted transaction series

b) Creation of separate series for residential and commercial transactions

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c) Creation of new series based upon the numbers of transactions **completed** in each month (the current series measures the number of SDLT **certificates issued** in the month following receipt of an SDLT return that passes HMRC validation checks).

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**Prioritisation:**

11. What would be your top three priorities for changes to HMRC property transaction statistics (whether new data or other changes)? These might include new, additional and/or different presentations of data you would like to see in the property transaction statistics

1.	
2.	
3.	

**Additional comments:**

12. If there is anything further you wish to add in relation to this review please do so below.

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**This is the end of the questionnaire. Thank you for completing it. Please return by 13 July 2007.**

**This questionnaire should be returned to:**

- **email:** **Scott.Johnston@hmrc.gsi.gov.uk**
- **post:** Scott Johnston  
HM Revenue and Customs  
KAI: Tax Policy and Products Analysis  
Room 2E/10,  
100 Parliament Street,  
London,  
SW1A 2BQ.

**The telephone number for queries is 020 7147 3065.**

## **Annex C – Implications of £40,000 Notification Threshold**

In the Pre-Budget Report 2007, the Chancellor announced, as part of a package of tax simplification policy measures, the introduction of a notification threshold of £40,000 for all freehold and leasehold transactions at Budget 2008. This means that properties purchased for £40,000 or less will not have to file a Stamp Duty Land Tax (SLDT) return following Royal Assent to the Finance Act 2008.

In addition to the operational and policy implications of this measure, there are also effects on the data series HMRC will be able to provide with respect to property transactions data. If a SDLT return is not filed it cannot be processed and will therefore not be captured by HMRC's monthly and annual property transactions analyses. As a result, the property transactions series will be lower from Budget Day 2008 onwards compared with previous years (and falls in transaction numbers for this reason have already been observed).

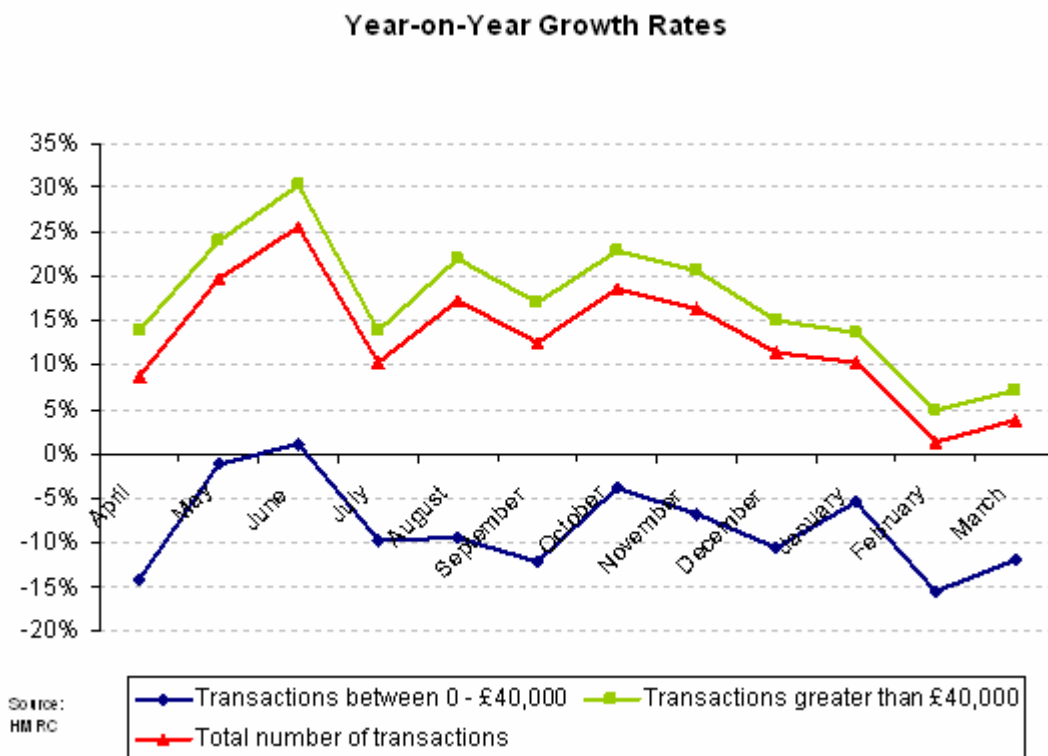
To prepare for this transition, analyses were carried out on 2005-06 and 2006-07 data to anticipate the effect of this measure. The following table presents the unadjusted number of transactions between April 2005 and March 2007:

<b>Rounded number of transactions in specified thresholds (growth rate from previous month in brackets)</b>			
	<b>Transactions between 0 - £40,000</b>	<b>Transactions greater than £40,000</b>	<b>Total number of transactions</b>
<b>April 2005</b>	25,000	113,000	138,000
<b>May 2005</b>	23,000 (-6%)	115,000 (1%)	138,000 (0%)
<b>June 2005</b>	25,000 (7%)	132,000 (15%)	157,000 (13%)
<b>July 2005</b>	24,000 (-4%)	137,000 (4%)	161,000 (3%)
<b>August 2005</b>	24,000 (1%)	135,000 (-2%)	159,000 (-1%)
<b>September 2005</b>	25,000 (4%)	137,000 (1%)	162,000 (2%)
<b>October 2005</b>	24,000 (-4%)	128,000 (-7%)	151,000 (-6%)
<b>November 2005</b>	25,000 (3%)	132,000 (4%)	157,000 (4%)
<b>December 2005</b>	24,000 (-4%)	145,000 (10%)	169,000 (8%)
<b>January 2006</b>	22,000 (-6%)	107,000 (-26%)	129,000 (-23%)
<b>February 2006</b>	24,000 (7%)	113,000 (5%)	136,000 (6%)
<b>March 2006</b>	30,000 (27%)	140,000 (24%)	170,000 (25%)
<b>April 2006</b>	21,000 (-30%)	129,000 (-8%)	150,000 (-12%)
<b>May 2006</b>	23,000 (8%)	142,000 (10%)	165,000 (10%)
<b>June 2006</b>	25,000 (10%)	171,000 (20%)	197,000 (19%)
<b>July 2006</b>	22,000 (-14%)	156,000 (-9%)	178,000 (-10%)
<b>August 2006</b>	22,000 (1%)	164,000 (5%)	186,000 (5%)
<b>September 2006</b>	22,000 (1%)	160,000 (-3%)	182,000 (-2%)
<b>October 2006</b>	23,000 (4%)	157,000 (-2%)	180,000 (-1%)
<b>November 2006</b>	23,000 (0%)	160,000 (2%)	183,000 (2%)
<b>December 2006</b>	21,000 (-8%)	167,000 (5%)	188,000 (3%)
<b>January 2007</b>	21,000 (0%)	122,000 (-27%)	143,000 (-24%)
<b>February 2007</b>	20,000 (-5%)	118,000 (-3%)	138,000 (-3%)
<b>March 2007</b>	27,000 (33%)	150,000 (27%)	177,000 (28%)
<b>Source</b>	HMRC		

A table of year-on-year growth rates by month was also produced for between April and March, overleaf:

Year-on-year (2005-06 compared against 2006-07) growth rates by month			
	Transactions between 0 - £40,000	Transactions greater than £40,000	Total number of transactions
April	-14%	14%	9%
May	-1%	24%	20%
June	1%	30%	26%
July	-10%	14%	10%
August	-9%	22%	17%
September	-12%	17%	12%
October	-4%	23%	19%
November	-7%	21%	16%
December	-11%	15%	11%
January	-5%	14%	10%
February	-16%	5%	1%
March	-12%	7%	4%
Source	HMRC		

Both these tables show that the transactions greater than £40,000 track the total number of transactions closely in terms of monthly growth rates and year-on-year growth rates. This is better illustrated in the following graph:



However, there is also a likely inherent small upward bias in the growth rate for the series based on transactions greater than £40,000, because even if the number of transactions remains constant, provided there are price increases in properties below £40,000, there will be some growth in the series. Nevertheless, sustained positive price inflation in the property market will mean that such a bias is likely to diminish over time, with less properties being sold for under £40,000.