

2% stamp duty increase causing buyers to back out and chains to collapse

The 2% increase for second property stamp duty is leading to a slowdown in pipeline purchases, resulting in application withdrawals and collapsed chains.



UNITED KINGDOM, November 6, 2024

/EINPresswire.com/ -- In the Autumn budget announced on 30th October, 2024, Chancellor Reeves increased the additional stamp duty for second homes from 3% to 5%.

[Damian Youell](#), company director and mortgage broker at [NeedingAdvice.co.uk](#), notes that the recent change is significantly affecting pipeline business.

He stated that "our recommendations for clients are made according to the current taxation rules when they seek our advice. As a result, we calculate the expenses related to purchasing a property or a second property in that case. This budget includes solicitor fees, valuation fees, and stamp duty. Clients had planned for these costs several months back, but the recent increase in stamp duty means they will need to reassess their situations." Damian mentioned that he has received phone calls from clients regarding second property purchases, including buy-to-let and holiday lets, indicating they may need to withdraw.

For example, buying a property for £200,000 would require an extra stamp duty payment of £4,000, which some clients may not have on hand.

Damian mentioned that he has been receiving calls from worried landlords as well as first-time buyers and home movers. In some cases, a landlord or second home buyer was purchasing one of the properties in the chain, but now the chain is collapsing because clients have decided to withdraw.

Damian also observed that 2024 brought various changes for mortgages, and as interest rates started to lower, there has been a noticeable rise in demand. He anticipates that this change will likely slow things down again, especially if chains begin to break down and landlords withdraw from pipeline purchases. Much of the progress made in recent months is likely to be reversed.

Increasing stamp duty on second homes is necessary, according to Reeves. Nonetheless, it's been said by many it's inexcusable that clients have not been notified prior so they can either set aside the extra money or complete their purchase before the change is implemented. Instead, thousands of potential second home buyers may now have to withdraw and forfeit expenses they have already incurred. Expenses like solicitors' fees, broker fees, survey fees, and the costs associated with establishing limited companies are often non-refundable, resulting in a loss of these expenses.

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