

Martyn Stubbs of Phillips & Stubbs looks at how the 2007 budget affects the property market.

From a property point of view it was what was left out of the 2007 budget that is perhaps more significant than what was put in. While the Chancellor cut stamp duty for eco-friendly new homes he chose not to raise thresholds across the board. Had the lower threshold been raised by just £25,000 to £150,000 this would have helped first time buyers.

As it is receipts from stamp duties are projected to be £14.3 billion in 2007- 08, up from £10.9 billion in 2005-06. Had the thresholds kept pace with inflation since 1997 they would now stand at £680,000 and £1.36 million. This is a significant benefit to the Treasury but an increasing burden to house buyers.

Besides stamp duty, the main property features of the 2007 budget concern landlords' energy saving allowance, alterations to housing for elderly people and inheritance tax.

Stamp Duty on New Homes

From 1st October 2007 to 30th September 2012, new zero carbon homes will, on their first sale, benefit from an exemption from Stamp Duty Land Tax for the first £500,000 of the purchase price.

Landlords' energy saving allowance

The landlords' savings allowance provides a deduction for expenditure on energy saving items against rental income receivable in calculating taxable property income.

From 6th April LESA will be available to corporate landlords who install energy saving items after state aid approval has been received. The annual allowance is £1,500 per property. LESA will be available for qualifying expenditure up to 2015.

Alterations to housing for elderly people

The Chancellor has announced that a 5% reduced rate will be applicable to certain housing alterations for elderly people. This reduced rate will only apply to certain home adaptations and will sit alongside the VAT zero rates already applicable to certain supplies for disabled people. The change will be effective from 1st July 2007.

Inheritance tax

The threshold will rise from £285,000 to £350,000 by 2010.

Martyn Stubbs adds, "While some homeowners will be having to find some more money for beer, wine, cigarettes and car tax for eco-unfriendly cars, the 2007 budget seems very much in line with the government's stated 'green' targets. It is interest rates, set by the Bank of England, which will have most effect on the domestic property market over the months ahead.