FINANCE COMMITTEE

DRAFT BUDGET 2015-16

SUBMISSION FROM CITY OF EDINBURGH COUNCIL

In respect to questions relating to the Draft Budget 2015-16 – Land and Buildings Transaction Tax Bands and Rates, please find a response from the City of Edinburgh Council’s planning division below. Specifically, this response provides a view to the question raised on ‘the likely impact on the property market and wider economy’.

The National Planning Framework 3 aims to facilitate new housing development, particularly in areas within our cities network, where there is continuing pressure for growth. The City of Edinburgh Council, along with the other councils within the SESplan city region area, are seeking to deliver this aim through the approved Strategic Development Plan and the individual council Local Development Plans by allocating a significant amount of new land for housing development.

The proposed changes to stamp duty differ significantly to the existing arrangements which are very progressive. The Council notes that the threshold at which one starts paying stamp duty has risen in both the scenarios presented. However, because there are less bands the amount you pay once you do hit the threshold is significantly increased. Houses in Edinburgh are considered at the top end of the average UK house price, particularly family houses, and in light of that the Council is seeking through the development plan process to increase the supply of housing. Under these proposals most family housing in Edinburgh would see a significant increase in stamp duty.

Example:

A family house worth £280k currently pays £8,400 in stamp duty. Under scenario 1 it would increase to £21,000, and under scenario 2 it would increase to £26,000.

In essence the proposed changes represent a new higher purchase tax. It is likely that house buyers would have to add these taxes onto their mortgages. These are large sums and could push borrowers beyond the point of affordability causing a negative effect on demand and or house prices and are likely to be counter-productive to the Government’s objective of facilitating new housing development. The house building industry will also likely be adverse to these changes. An alternative tax on the uplift in land value that landowners benefit from when sites receive planning consent would be more logical, and is likely to have less effect on market demand or house prices.”