Introduction
1. The Council of Mortgage Lenders (CML) is the representative trade association for mortgage lenders. Our 124 members comprise banks, building societies, insurance companies and other specialist mortgage lenders who, together, lend around 95% of the residential mortgages in the UK. In addition, the CML’s members have lent over £60 billion UK-wide for new-build, repair and improvement to social housing of which just under £4 billion is in Scotland.

2. CML Scotland welcomes the opportunity to respond to the call for evidence from The Scottish Parliament Finance Committee to the Land and Buildings Transaction Tax (LBTT) bands and rates for 2015/16.

General
3. The Scottish Government set out on 9 October Budget proposals including the proposed LBTT bands and rates for 2015/16. Given our interest is in the residential property market we intend to restrict our comments to that aspect of the proposed bands and rates of LBTT.

4. In our evidence to the Committee on 3 January 2013 we indicated that we supported the move from the slab structure of stamp duty land tax (SDLT) to a progressive structure for LBTT but indicated that the setting of rates to avoid any adverse impact on the residential property market would be important, particularly if the market continued in the fragile state it was in at that time. We also highlighted that an issue which might be worth considering was the lower number of high value transactions in Scotland compared with elsewhere in the UK. This could result in a greater number of winners and losers from the introduction of a progressive system if its aim was revenue neutrality with what is currently raised from SDLT in Scotland.

5. In the Budget announcement it was confirmed that it was intended to make the tax take from LBTT revenue neutral with that from SDLT and that therefore made it inevitable that there would be winners and losers under the new bands and rates when compared to LBTT.

6. The proposal to set the nil rate band for LBTT at £135,000 when compared to £125,000 for SDLT and above that at a rate of 2% up £250,000 is a welcome development for both first time buyers and some “second steppers” moving up the housing ladder given that they will be paying less under LBTT than they would under SDLT. From their announcement it is the clear policy objective of the Scottish Government to assist those in these categories. We are supportive of this objective.

7. With the average house price in Scotland being just over £160,000 and the cut over point at which you would pay more under LBTT than SDLT being £325,000 it is clear, as the Scottish Government announced in their Budget, that the majority of homebuyers under LBTT will pay less than under SDLT.
Clearly, however, those wishing to buy properties above £325,000 will pay more in LBTT and in our view the most affected are going to be particularly those purchasing “family homes” in some of the “hot spot” housing markets in Scotland. The people purchasing in this category are not necessarily “super rich” and the measure has the potential to adversely impact on recovery of the housing market in these areas. We would suggest that this will require to be carefully monitored by the Scottish Government as a downturn in these markets could reduce the level of LBTT collection and may not make the change revenue neutral as envisaged.

Further contact
8. This response has been prepared by the CML in conjunction with its members. Any comments or enquiries should, in the first place, be directed to:

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