The Scottish Association of Landlords (SAL) is the largest and only dedicated national organisation that represents landlords and letting agents throughout Scotland. We support and represent our members’ interests through providing resources and assistance as well as delivering lobbying and campaigning work.

SAL welcomes the opportunity to respond to the Finance Committee’s Call for Evidence on Land and Buildings Transaction Tax (LBTT) bands and rates. LBTT will impact on our members when they are considering further investments and will also affect them at the point they sell their investments by adding to the overall cost of the asset to prospective purchasers.

We have only covered those topics which have a direct impact on our members, namely those related to residential property.

**Encouraging investment**

SAL’s response to the Call for Evidence is based on the need to encourage investment into the private rented sector (PRS).

In the PRS strategy paper, “A Place to Stay, A Place to Call Home” the Scottish Government’s stated vision is: -

“A private rented sector that provides good quality homes and high management standards, inspires consumer confidence, and encourages growth through attracting increased investment”.

One of the strategic aims given to achieve this vision is “to enable growth, investment and help increase overall housing supply”.

Investors considering buying residential property for the PRS have considerable choice about where to make their purchase. SAL believes that the new LBTT structure should ensure that it encourages landlords to invest in Scotland by making the tax payable competitive; on par with or lower than that for an identical investment elsewhere in the UK.

There is currently a shortage in the supply of rental property which is leading to high levels of rent inflation in some parts of the country. To combat this we need to make Scotland an attractive place for landlords to do business from a taxation perspective. Landlords investing in the Scottish private rented sector are already faced with housing legislation that is much more onerous than elsewhere in the UK which can act as a disincentive to investment; an attractive taxation system will help to balance out the attractiveness of investing in Scotland compared to elsewhere in the UK.
Proposed rates and bands

Scenario 1

The relatively high £180,000 threshold is very welcome but we are concerned that this scenario sees relatively low value properties (from approximately £207,500 to £250,000) subjected to a higher tax burden than under LBTT than Stamp Duty Land Tax (SDLT). Many investors will consider buying properties for the PRS in this price range. The additional tax payable for such an investment in Scotland may discourage landlords who have a choice of where to invest from buying rental property in Scotland.

Scenario 2

With this scenario the LBTT payable is lower than SDLT for properties up to approximately £327,000. As most properties purchased for the PRS fall below this value this taxation advantage would encourage investment in the sector.

Conclusion

For the reasons outlined above SAL believe that Scenario 2 is preferable from the point of view of encouraging a healthy PRS and meeting the Government’s strategic aim of enabling growth in the sector.