1. Introduction

1.1. The SFHA welcomes the opportunity to give evidence to the Finance Committee on the draft Scottish Budget (2015/16). We note that the Committee has asked that evidence is confined to analysis of and comment on proposals for the new Land and Buildings Transactions Tax (LBTT), the tax to replace Stamp Duty as part of a further devolution of powers under the Scotland Act (2012).

1.2. The SFHA is the national representative body for housing associations and co-operatives in Scotland.

1.3. Housing associations and housing co-operatives in Scotland own and manage 47% of the country’s affordable rented housing stock. This represents over 280,000 homes across Scotland, concentrated in some of the poorest communities in our country.

1.4. Housing associations and co-operatives have been working to provide, manage and maintain housing throughout Scotland since the 1960s and have a track record of making a significant contribution to improving housing for the people of Scotland.

1.5. There are some important and distinctive features of housing associations and co-operatives. Our members are:

- Independent businesses that provide and manage high quality affordable accommodation and housing services;
- Responsible for accessing and managing public and private resources;
- Managing their businesses, not to make a profit but using resources imaginatively and inventively to benefit housing and communities;
- Accountable to their members, who live or have other interests in the communities and places which they create;
- Publicly accountable and thus regulated given their use of government resources;
Housing associations and co-operatives are diverse organisations at different scales, with different histories, purposes and goals. They also collaborate in different ways with each other, with the private sector and with local authorities, according to their particular business imperatives.
2 Proposals for the LBTT

2.1 General Comments on LBTT Proposals

2.1.1 The SFHA welcomes the continuing exemptions in the LBTT proposals (carried over from Stamp Duty) for residential leases, and the proposal to continue reliefs for acquisitions by tenant controlled housing associations and co-operatives and charities. These exemptions and reliefs will mean that housing association tenancies are exempt from LBTT, while the vast majority of land acquisitions by housing associations and co-operatives will also be exempt. We welcome this and believe that this is correct as our members provide quality affordable rented housing for people in housing need, on a not for profit basis.

2.1.2 While of less direct concern to our members and their tenants, we also welcome the fact that the LBTT proposals will be progressive, generally benefitting those buying less expensive properties by

- Ensuring no tax is paid on properties costing £135,000 or less
- An estimated 90% of purchasers pay either the same or less than under stamp duty

2.1.3 We have some queries around and proposals on reliefs and exemptions on housing association transactions and activities that we provide more detail on below.

2.1.4 Finally, we have a significant concern that the proposals as they stand represent a major missed opportunity to promote low carbon homes in line with the aims of the Scottish Government’s Sustainable Housing Strategy\(^1\), which the SFHA endorses and which seeks to clarify how housing can contribute to Scotland’s challenging carbon emissions reductions targets as set out in the Climate Change Scotland Act (2009).

\(^1\) Scottish Government (2013); Scotland’s Sustainable Housing Strategy available at http://www.scotland.gov.uk/Publications/2013/06/6324 accessed 22nd October 2014
2.2. Proposals for Additional Exemptions and Reliefs for Housing Association transactions

2.2.1 In order to meet housing need, increase housing supply and help develop sustainable communities, a growing number of housing associations and co-operatives provide housing such as mid-market rent through non-charitable subsidiaries. These “mid-tenure” homes meet a housing need that is not met by the market, particularly in areas where there is a high level of demand for housing and are an increasingly important activity. It is our view that such developments and transactions should also be subject to exemptions and relief from LBTT and would welcome clarification on this as it appears that they may not be exempt.

2.2.2 Housing associations and co-operatives may also purchase properties from developers to be used for mid-rent housing. We suggest that these multiple transactions should receive relief or exemption from LBTT – at present it appears that these exemptions would only be partial (40%). Since associations providing mid-market rent are meeting a housing need that would not be met by the market we contend that the exemption should be 100%.

2.2.2 A final area where housing associations and their subsidiaries may be subject to the tax is over back to back land sales – where a developer purchases land and then sells it on to a housing association or their subsidiary. Under the proposals, the developer would be subject to tax and would then pass this on to the housing association. We ask that exemptions or refunds are available where the final use is for affordable or mid-tenure housing.

3. LBTT – The Need to Incentivise Energy Efficiency

3.1 As noted above, the SFHA is concerned that the Scottish Government is failing to use the LBTT to incentivise energy efficiency in the housing market. The Climate Change Scotland Act (2009) has set ambitious carbon reduction targets, with the aim of reducing emissions (from a 1990 baseline) by 42% by 2020 and 80% by 2050.
3.2 The SFHA broadly welcomes this ambition. Clearly existing housing has an important role to play as it is responsible for an estimated 25% of carbon emissions\(^2\). While housing associations have the most energy efficient housing by tenure in Scotland\(^3\), and social housing will contribute further to the target with the introduction of Energy Efficiency Standards for Social Housing to be met by 2020, social housing represents less than 24% of Scotland’s housing stock. It is our view that if these targets are to be met then there must be a major initiative to incentivise energy efficiency in owner occupied housing, which represents 58% of Scotland’s homes.

3.3 One of the key aims of the Sustainable Housing Strategy was housing market transformation, with the objective of placing a monetary value on the energy efficiency of homes. This makes it surprising that the government did not take the opportunity in drafting the LBTT to incentivise energy efficiency- in fact an exemption for zero carbon homes that existed under Stamp Duty has been removed.

3.4 The LBTT represents an opportunity to place value on energy efficiency by varying LBTT according to the energy performance of a home. This would make energy efficiency a visible consideration for home buyers and also incentivise sellers to invest in the energy efficiency of their homes. Such a measure would have twin benefits – in addition to raising awareness of energy efficiency and helping to cut carbon emissions, it would help to reduce the running costs of homes.

3.5 While we accept that the measure on its own would not lead to the increase in the energy efficiency of Scotland’s homes necessary to meet Scotland’s ambitious climate change targets, in our view if these targets are to be met then every opportunity must be taken to work towards achieving the goal.

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5. Conclusion

The SFHA welcomes the following elements of the LBTT:

- The continued exemptions and reliefs on housing association tenancies and land acquisitions for affordable housing
- The progressive nature of the tax

We ask that exemptions and reliefs are made available for

- Multiple purchases of homes by housing associations for affordable rent
- Transactions by the non-charitable subsidiaries of housing associations to apply mid-tenure homes, for example housing for mid-market rent
- Back to back purchases where developers sell land to housing associations and their non-charitable subsidiaries

Finally, we wish to emphasise that we remain disappointed that the opportunity was not taken to introduce a relief to incentivise increased energy efficiency in owner occupied homes. In our view this is essential to help Scotland meet its climate change targets and should be introduced at the earliest opportunity.

SFHA
October 2014