Evidence submitted by CIH Scotland
Call for Evidence: Land and Buildings Transaction Tax
26 August 2016

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse and growing membership of people who work in both the public and private sectors, in 20 countries on five continents across the world including over 2,000 in Scotland.

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CIH Scotland’s submission on the LBTT

1. General comments

1.1 This brief evidence submission focusses on the implications of LBTT on the Affordable Housing Supply Programme (AHSP) given the absence of an exemption from LBTT for local authorities when acquiring existing homes.

1.2 Local authorities can acquire existing homes for a number of reasons:
- To increase the supply of affordable housing in an area;
- Management and maintenance of their own housing stock; and
- Targeted intervention to improve the quality of housing or management in an area characterised by poor conditions or antisocial behaviour.

1.3 Local authorities already play a significant role in the provision of affordable housing and with the abolition of Right to Buy they are in a much stronger position to be able to contribute towards the Scottish Government’s new target of providing 50,000 affordable homes over the next five years. However, the fact that local authorities are subject to LBTT charges will have financial implications which could limit some local authorities’ capacity to contribute to this supply target.

1.4 As introduced, the Act provides specific reliefs for acquisitions by Registered Social Landlords (RSLs) but not for local authorities. The se are set out in policy memorandum 1:

“Certain acquisitions by Registered Social Landlords (RSLs) – This relief is available subject to certain conditions, set out in the legislation, being met. In recognition of the important role played by RSLs in the housing market the Scottish Government considers it is important to provide this relief.”

And

“Charities and charitable trusts – Relief from LBTT will be available where a charity, or a charitable trust, purchases an interest in land, subject to certain conditions which are set out in the Bill.”

1.5 No such relief has been included for local authorities. It is our understanding that this omission in itself, while objectionable on principle (local authorities have as much of a role in the provision of affordable housing as RSLs), was not initially a significant issue for local authorities as typical acquisitions tend to be below the LBTT threshold of £145,000 and therefore not subject to a charge. However, the introduction of the 3% Additional Dwelling Supplement in April 2016 which is applied to the purchase of any additional home over £40,000 is having much wider implications for local authorities.

1.6 We note that the Association of Local Authority Chief Housing Officers (ALACHO) has submitted more detailed evidence to this Committee on the implications of LBTT charges for local authorities and the financial impact that this is likely to have on the AHSP. ALACHO estimates that the surcharge could cost in excess of £2.5 million over the next five years.

1.7 This additional cost to the provision of affordable housing would seem to be in direct conflict with the Scottish Government’s commitment to increasing the supply of affordable housing and delivering 50,000 affordable homes during this Parliament.

1.8 CIH Scotland supports ALACHO’s call to amend the legislation and extend the relief provided to RSLs to local authority landlords.