Submission to the Finance Committee

from

The Scottish Association of Landlords

concerning

Call for Evidence: Land and Building Transaction Tax
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.

The Scottish Association of Landlords (SAL), welcomes the opportunity to provide evidence on the operation of LBTT.

SAL recognises that the focus of this inquiry is on the first year of operation of LBTT, however we would like to highlight concerns from members on the direct impact of the Additional Dwelling Supplement (ADS) introduced in April 2016.

Whilst SAL recognises that it is too early to fully analyse the impact and effect of the 3% levy on investor purchases, we would like to respectfully highlight our concerns about the levy to members of the Finance Committee, at this early stage.

The Deputy First Minister stated when setting out the Scottish Government’s tax proposals in the 2016-17 Draft Budget that the Scottish Government wished to ensure, as far as practical, that opportunities for first time buyers to enter the housing market in Scotland were as strong as they possibly could be.

The UK Government introduced a new Stamp Duty Land Tax (SDLT) supplement on the purchase of additional residential properties in the rest of the UK from 1 April 2016.

Scottish Ministers believed that the absence of a similar supplement in Scotland could make it more attractive to invest in additional residential properties in Scotland compared to the rest of the UK – particularly at the lower end of the market – making it difficult for first time buyers in Scotland to buy their first home.

Whist the effect of this additional tax on landlord investors will not be fully known until the end of this financial year, anecdotal evidence is that investors were keen to bring forward purchases to March 2016, thus avoiding the 3% levy.

SAL believes that, contrary to the intention of the Scottish Government, the tax supplement might also encourage small investors to purchase more, lower cost properties as opposed to investing in the higher end of the market in order to reduce their tax liability.

RICS Scotland reported in July a further fall of 11% in transactions from respondents to their market survey. This reflected a continuation of a trend that started back in April following the implementation of the tax surcharge on investment purchases. Despite the flurry of investors purchasing property in March there has been clear evidence since April of landlords not investing in the sector, but has this tax actually encouraged more first time buyers into the market?

Recognising that only a few months has passed since the implementation of these tax changes, SAL would respectfully request that the Finance Committee continues to scrutinise the effect on both the market place and housing supply in Scotland. The fear is that there is
a potential for some investors to look at alternative investment opportunities in order to avoid additional tax and thus reduce the supply of much needed homes to rent in the private rented sector.

As stated above, the Deputy First Minister implemented this tax supplement with the intention of encouraging opportunities for first time buyers to enter the housing market. SAL was and remains of the opinion that no evidence was provided on how many first time buyers this would help and indeed that investors were effectively competing in this same market. If there was evidence then it would have been more reasonable to tailor the tax to address the bands of property values that first time buyers were likely to purchase within, rather than being an arbitrary tax that applies to all eligible property purchases.

In any future evaluation of the impact of ADS, SAL would argue that investment in new build properties should be exempt from the tax supplement as those investors are party to helping to supply much needed new housing stock. This also incentivises housebuilders to build more units in order to satisfy a range of customer demand.

In conclusion, SAL understands that the Scottish Government is committed to developing a well-maintained private rented sector (PRS). Recent regulatory changes in the sector has arguably led to a fragmented PRS system that lacks consistency and stability. For a fully-functional property market to operate, both these ingredients must be present in order to inspire confidence and entice investors, of all scales, into the sector.