EVIDENCE TO SCOTTISH PARLIAMENT FINANCE AND CONSTITUTION COMMITTEE – HOUSING ASSOCIATIONS’ EXPERIENCE OF LAND AND BUILDINGS TRANSACTION TAX (LBTT)

03/10/16
Evidence from the Scottish Federation of Housing Associations on members’ experience of LBTT

1. Who we are

1.1. The SFHA leads, represents and supports Scotland’s housing associations and co-operatives. We want to see a thriving housing association and co-operative sector providing sustainable and affordable homes.

2. Executive summary

2.1. The broad experience of housing associations is that LBTT has had little or no impact on their operations and business. This is largely due to the fact that the initial bill introducing LBTT as the successor to Stamp Duty exempted the purchase of land or buildings that were to be used for social rented housing by housing associations and co-operatives.

2.2. When LBTT was first to be introduced, there were concerns from some members that multiple purchases of homes by housing associations might lead to higher taxes – the LBTT Multiple Dwellings Relief introduced in April 2015 has alleviated those concerns.

2.3. The progressive nature of the tax has been welcomed by members – one member highlighted the fact that this made homes for sale as on a shared equity basis (targeted at people who would otherwise struggle to buy) more affordable as they were generally not subject to LBTT.

2.4. A few members highlighted some issues where sites are being transferred for the development of Mid Market Rent by a subsidiary or partner that does not have charitable status.
3. Main Report

3.1. This submission sets out the experience of SFHA members of LBTT one year after it was introduced.

3.2. Housing associations who responded to the SFHA’s call for evidence were broadly content with the operation of LBTT. The main concern highlighted when the bill introducing LBTT was passing through the Scottish Parliament – that housing associations not defined as community controlled would have to pay LBTT on transactions relating to social housing – was addressed before LBTT succeeded Stamp Duty.

3.3. The progressive nature of the tax is welcome and means that lower value transactions are either not subject to tax as they don’t meet the threshold at which tax begins (£145,000), or they attract a lower level of tax than would have been the case with Stamp Duty. This benefits housing associations developing homes for New Supply Shared Equity (a scheme supported by Scottish Government grant) and is welcome as it helps targeted groups (such as people living in social housing or veterans) to access home ownership.

3.4. As highlighted above, a number of housing associations raised concerns when LBTT was introduced that the progressive nature of the tax (which the SFHA welcomed in its previous submissions to the Finance Committee) would have the unintended consequence of leading to higher taxes where a housing association or its subsidiary bought a number of properties in one transaction for use as Mid Market Rent. Following representations by SFHA and others, however, the Multiple Dwellings Exemption was introduced to address this issue.

3.5. Some housing associations raised concerns that at present LBTT still affects transactions where housing associations are developing homes for Mid Market Rent – the instances highlighted by members involved the sale of land by a registered charitable housing association to a non-charitable subsidiary, and a joint venture development of a site where a non-charitable organisation was delivering homes for Mid Market Rent.
3.6. Conclusion - The SFHA and its members are broadly positive about the introduction and operation of LBTT. As stated above, the two significant issues raised by housing associations that could have had a negative impact (the tax applying to associations not defined as "community controlled" and the high tax that purchase of multiple dwellings would attract) have been addressed.

Members welcomed the progressive nature of the tax, noting that it could help first time buyers to afford to buy shared equity homes developed by housing associations.

Finally, a few housing associations highlighted that LBTT applies to land being developed for Mid Market Rent by the non-charitable subsidiaries of housing associations. While Mid Market Rent differs from social rent, it is aimed at people whose housing needs cannot be met by the market and so we believe that this type of housing should be exempt from LBTT. This issue was highlighted in previous submissions by the SFHA and we can provide more details of schemes affected.