

### **Scottish property industry calls for residential LBTT rates reform**

The Scottish Property Federation (SPF) has called for the 5% threshold of residential LBTT to be raised to £500,000 in the light of evidence suggesting a downturn in the value and number of transactions at this level of the market in the first year of LBTT (April 2015 to end March 2016). The call is made in the industry body's submission to the Scottish Parliament's Finance Committee inquiry into the first year operation of LBTT.

The SPF believes the main impact on the property markets have been at the high value end of the residential market (above £325,000) where both the value and number of transactions fell after several years of growth.

It also understand that this has contributed to a shortfall in anticipated LBTT revenue from the residential sector and had a negative impact on the functioning of the wider residential property markets in Scotland.

The residential market is a continuum that requires buoyant activity across all tenures at all levels in order to succeed, according to the SPF.

By contrast in the commercial property markets where there was much less radical reform of rates and thresholds the markets produced more revenue than expected.

**David Melhuish, director of the Scottish Property Federation**, commented: "While the tax seems to have bedded in well for much of the lower value markets we feel there are improvements to the rates and thresholds for the residential 5% band in particular, which is very narrow under the current regulations.

"In the residential market, we need to ensure buoyant activity across all tenures. People need to upsize and downside as well as relocate for work or other reasons. If you make it harder for people to move at the higher end of the market, then it makes it more difficult for people aspiring to move into that market. This then makes it more difficult for people to get a foot in the housing market at all if the number of properties available is reduced."

In addition, the SPF commended the Scottish Government for taking the decision to remove larger scale PRS investments from the scope of the 3% Additional Dwellings Supplement and called for the Scottish Government to maintain its current competitive transaction tax edge within the UK for commercial property investments.

David added: "We are competing for global sources of capital and in this context it is important we have a competitive commercial LBTT tax position to support the attractions of our local cities and towns as locations for investment.

"We believe the relief for large-scale PRS investors for transactions of six or more properties from the 3% additional dwellings supplement is also a welcome move that is helping our industry to shape a positive perception of Scotland as a place to do business."

### **ENDS**

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