

## **Taking forwards a Scottish Land and Buildings Transactions Tax**

### **Response by the Building Societies Association**

1. The Building Societies Association (BSA) represents mutual lenders and deposit takers in the UK including all 47 UK building societies. Mutual lenders and deposit takers have total assets of over £375 billion and, together with their subsidiaries, hold residential mortgages of over £235 billion, 19% of the total outstanding in the UK. They hold more than £250 billion of retail deposits, accounting for 22% of all such deposits in the UK. Mutual deposit takers account for 34% of cash ISA balances. They employ approximately 50,000 full and part-time staff and operate through approximately 2,000 branches.

2. The BSA welcomes the opportunity to respond to the Scottish Government's consultation on taking forwards a Scottish Land and Buildings Transactions Tax. We have not commented on all of the questions, but have focused on the points most likely to affect mortgage lending.

#### **Key points**

3. We strongly agree that the Scottish Government should move from a slab structure for Stamp Duty Land Tax to a progressive structure for the new Land and Buildings Transactions Tax.

4. We agree that the Scottish Government should develop an electronic system to allow for simultaneous submission of Land and Buildings Transaction Tax returns, payment of tax and registration of title. We urge the Scottish Government to work with the lending and legal communities in the development of the system.

#### **Questions**

##### **Do you agree with the Scottish Government's view that the Land and Buildings Transaction Tax should be structured progressively?**

5. We strongly agree that the Land and Buildings Transactions Tax should be structured progressively. We currently see evidence of bunching around the thresholds, rather than there being a smoother distribution of house prices, as would be expected in a well-functioning market. This results in cautious consumers reluctant to buy a property in the next price band due to the prohibitive increase in stamp duty. It also puts downward pressure on prices of properties with market values just above threshold levels, discouraging these sellers at a time when the number of property transactions is low. A progressive taxation system would avoid these issues and create a more equitable model for tax on acquiring property.

##### **Do you think that the Land and Buildings Transaction Tax should be amended in the future to support key Scottish Government priorities? If yes, what objectives should changes focus on and what would be the best way of doing this?**

6. We have seen in the UK market that amendments to Stamp Duty Land Tax can be a tool for incentivising certain sectors of the market, for example the first time buyer exemption which caused an increase in transactions prior to its removal. The downside of temporary amendments is that they do tend to cause distortions or small 'bubbles' in the housing market and the effects of any removal of an amendment should be considered alongside the effects of its introduction. That said, we do believe that amendments to Land and Buildings Transactions Tax could be a useful tool for the Scottish Government and should be used to address areas of market failures.

**Do you agree that the proposed transaction categories should be exempt from Land and Buildings Transaction Tax, and that for these specific transactions no LBTT return should need to be submitted?**

7. We agree that the proposed transaction categories should remain exempt from Land and Buildings Transaction Tax.

**Do you agree with the proposal not to provide a Right to Buy or Shared Ownership relief for the Land and Buildings Transaction Tax, on the basis that these reliefs are not needed in Scotland?**

8. We do not agree with the proposal to remove the relief for Right to Buy properties, as although these are rarely valued above the £125,000 threshold, there are still cases in which they will become liable to pay Land and Buildings Transaction Tax. Although the Scottish Government is consulting on proposals to further reduce the number of Right to Buy transactions, this may still be retained and the removal or reduction of Right to Buy, if it goes ahead, is likely to take a number of years. In the meantime the relief for Right to Buy should be retained.

9. We agree with the removal of the relief for shared ownership properties as the limited nature of the leases mean that these are not needed in Scotland.

**Do you agree with the proposed list of reliefs?**

10. We generally agree with the list of proposed reliefs. We would question the need for Sale and Leaseback relief, as this sector has been essentially closed by the FSA.

**Do you agree that residential leases of 20 years or less in length should be exempt from Land and Buildings Transaction Tax in Scotland and that no LBTT return should be required?**

11. We agree that residential leases of 20 years or less should be exempt from the tax.

**Do you agree that a new online system should be designed to allow for simultaneous submission of an LBTT return, payment of any tax due and registration of title to the land or property in the Land Register?**

12. We strongly agree that a new online system should be designed to allow returns, payment and registration of title to take place simultaneously. We would urge the Scottish Government to consult with the lending and legal communities in the development of the new system to ensure that it is fit for purpose and takes advantage of all of the opportunities of implementing an electronic system.

**Do you agree that all LBTT returns should be submitted online or should there be an opportunity to submit paper returns?**

13. We agree that all returns should eventually be submitted online, although a sufficient transition period should be offered where returns could be submitted in paper format.

**Do you agree that Land and Buildings Transaction Tax must be paid before title to the land or property can be registered in the Land Register or the Register of Sasines or before a document or deed is registered in the Books of Council and Session?**

14. We believe that this is a necessary step to increase efficiency in transactions.

## Contact

. This response has been prepared by the BSA in consultation with its members. Queries should be directed to Colette Best ([colette.best@bsa.org.uk](mailto:colette.best@bsa.org.uk)).