

Paul McLennan MSP and Shirley-Anne Somerville MSP
Minister for Housing and Cabinet Secretary for Social Justice
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

7 May 2024

Dear Ministers,

Re: Housing (Scotland) Bill – reducing tax and cost burden for private landlords

On 15 April 2024 I had the opportunity to speak to Patrick Harvie MSP, the then Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights at a meeting of the Scottish Government's Private Rented Sector Stakeholder Group. At the meeting I raised a number of issues with Mr Harvie which he said he would take away and speak with colleagues. The points are outlined below and I do hope you will also now take into consideration and address as the legislation makes its way through the Scottish Parliament.

The private rented sector plays a crucial role in the housing system, providing homes to people who cannot, or simply do not want to, own their own home and for whom the social rented sector is not an option. At a time when demand for private rented property is far outstripping supply, PropertyMark is concerned that as a result of the measures contained in the Housing (Scotland) Bill, landlords, many of whom have already been affected by the pandemic, coupled with pre and post pandemic regulatory changes, will either sell up or turn to the short-term letting market diminishing the much-needed supply of housing even further.

We know from a member agent based in Edinburgh who told us recently that at the end of 2023, the housing market continued to experience an unsustainable demand for rental properties, due to a shortage in the private rented sector. They then saw a significant number of short-term operators come back into the sector which was welcome news. However, unfortunately, this was outweighed by landlords deciding to leave the market and sell. This is mainly due to the increase in mortgage interest costs and a wealth of new legislation that came into force at the start of March which, has proved taxing for landlords financially, and resulted in a knock-on effect for tenants, with fewer available properties on the market and significant rent increases.

As you will know Land and Buildings Transaction Tax (LBTT) replaced Stamp Duty Land Tax in Scotland in 2015. LBTT applies an Additional Dwelling Supplement (ADS) on top of standard LBTT rates if someone is purchasing an additional residential property. As of 16 December 2022, the ADS rate is six per cent of the purchase price, making Scotland the most expensive place to purchase a buy-to-let property in the UK. As a result, under LBTT an aspiring buy-to-let landlord purchasing an additional

property for £185,000 (average house price Scotland) can expect to pay £11,900 in Land and Buildings Transaction Tax. A purchaser buying as a main residence only would pay £800 in LBTT.

In addition to this, landlords across the UK, including in Scotland have seen their tax burden increase in recent years. This includes the withdrawal of tax relief on mortgage interest costs and replacement with a 20% tax credit and removal of the 10% Wear and Tear Allowance for fully furnished properties being replaced with an at-cost relief. Furthermore, some private landlords in Scotland under Home Energy Scotland can only get interest free loans of up to £15,000 per property, for the installation of a variety of eligible energy efficiency measures such as solid wall insulation, double-glazing or a new boiler. Alongside these costs, maintenance fees, registration charges and materials for landlords and the management and upkeep of rental property have all increased in recent years.

As I highlighted at the meeting to Mr Harvie a key concern for Propertymark members is that the Housing (Scotland) Bill does not address supply side reform and increasing the number of properties for people to live and rent. To this end, it is imperative that reforms to the private rented sector work alongside proposals for minimum energy efficiency requirements and the additional costs for private landlords as well as recent tax changes affecting the sector. We think it is imperative that the Scottish Government use the Housing (Scotland) Bill to commit to reducing the tax burden on landlords and those wishing to purchase a buy to let property and for the Scottish Government carry out a full review of all taxes and costs relating to private landlords in order to develop policies that promote long term investment in the sector and reduce costs for tenants.

I have included a copy of our position paper, *Impact of tax changes on the private rented sector* which outlines the situation in more detail. If you would like to meet in order discuss further, I would welcome an opportunity to do so.

I look forward to hearing from you.

Best wishes,



Timothy Douglas
Head of Policy and Campaigns
Propertymark