

**Scottish Government 2024-25 Budget**  
**Pre-Budget Scrutiny**  
**Response from Propertymark**  
**December 2023**

**Background**

1. Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising over 17,500 members representing over 12,800 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

**Overview**

2. Propertymark and our member agents recognise the key challenges that the Scottish Government faces with continued constraints on public finances, challenges from the Covid, Brexit and the cost-of-living crisis. However, we think our key asks will present a fairer private rented sector, increase places and homes for people to live, improve standards and help reduce energy bills in people's homes.

**Pre-Budget Scrutiny**

**Interest free loans to bring empty properties back in to use**

3. Empty homes are a wasted resource and at a time when the housing market in Scotland is in the grip of unsustainably low levels of stock for sale and for rent, it makes no sense that there are thousands of homes sitting vacant. According to local authority council tax records, the latest data in 2022 suggests that there are 42,865 long-term empty properties in Scotland, which have been empty for at least six months<sup>1</sup>. The total number of empty properties has increased by 4% since 2008, but over the last decade the increase has slowed to 2%. Nevertheless, the numbers of empty properties remain concerning.
4. Nations across the UK have implemented their own policies to incentivise getting empty properties back into use. For example, the Welsh Government have invested £50m over the next two years until 2025 in a National Empty Homes Grants Scheme.<sup>2</sup> The scheme offers a grant of up to £25,000 to be made available for homeowners or prospective homeowners to remove significant hazards from their properties to make them safe to live in and to improve their energy efficiency. Whilst the Scottish Government's plans are to increase council tax premiums on second homes, we do not think that this an effective policy measure to increase the supply of homes and grant funding is needed to support getting empty homes back into use. We recommend that the Scottish Government consider similar levels of investment as

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<sup>1</sup> [3. Empty homes in Scotland - Bringing empty homes back into use: audit of privately owned empty homes - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/audit-of-privately-owned-empty-homes-2022/pages/13.aspx)

<sup>2</sup> [£50m to bring empty homes back to life | GOV.WALES](https://gov.wales/topics/housing/empty-homes-grants-scheme)

the Welsh Government at the next budget. However, we do not see a grant scheme as a panacea to bringing large numbers of empty properties back into use, but as one tool alongside multiple measures to tackling the problem. We would also recommend that the Scottish Government expands on the Welsh scheme and open interest free loans to private landlords who have empty properties and looking to get them fit for human habitation. By taking a tenure blind approach, more options will be made for consumers to buy and rent suitable and affordable property. To further support our point, we highlight policy set by the Welsh Government where local authorities have the powers to set council tax premiums at 300% for second homes and empty properties. However, local authorities have been reluctant to use these powers to the 300% level. In addition, second homes in Scotland are already being taxed at 6% of the purchase price, the amount of Additional Dwelling Supplement that was raised in December last year. Finally, we recommend that the Scottish Government focuses on business rates for holiday lets to raise additional revenue.

### **Decarbonising Scottish Homes**

5. The Scottish Government has recently opened a consultation for the Heat in Buildings Bill.<sup>3</sup> We welcome many of the proposals and we recognise that the way we heat our homes, business and workplaces contributes significantly towards carbon emissions, and if Scotland is going to achieve net zero by 2045, then landlords and homeowners must play a role in reducing emissions. However, if private rented sector landlords are going to achieve the Minimum Energy Efficiency Standards by 2028 and homeowners by 2033, clarity, support and most importantly of all financial assistance will be essential. We welcome the Scottish Government issuing interest free loans through Home Energy Scotland<sup>4</sup> and a grant of up to £7,500 to install energy efficiency improvements or zero emission heating providing the property is the occupants single residency or is renting it privately. However, these measures were implemented before the proposal to introduce Minimum Energy Efficiency Standards. Accordingly, we are calling for the Scottish Government to open grant applications that do not have to be paid back to private landlords. We have conducted an Energy efficiency in UK property survey<sup>5</sup> of our members which was published in August 2023. Some of the key findings included:
  - 12% of potential commercial property buyers always show an interest in the EPC or the EPC rating of a property.
  - 73% of sales agents say that homebuyers sometimes show an interest in the EPC or the EPC rating of a property.
  - 66% of sales agents reported that energy efficiency improvements do not add more value to a property than they cost to install.
  - 80% of sales and letting agents agree the best way to encourage energy efficiency improvements is to introduce government grants that cover a broader range of home improvements.

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<sup>3</sup> <https://consult.gov.scot/energy-and-climate-change-directorate/proposals-for-a-heat-in-buildings-bill/>

<sup>4</sup> <https://www.homeenergyscotland.org/funding/grants-loans/>

<sup>5</sup> [Energy-efficiency-in-UK-property.pdf \(propertymark.co.uk\)](https://www.propertymark.co.uk/energy-efficiency-in-uk-property.pdf)

## Reviewing property taxation

6. Governments across the UK, including the Scottish Government, must carry out a full review of all taxes relating to private landlords in order to develop policies that promote long term investment in the sector and reduce costs for tenants. Section 24 of the Finance Act 2015<sup>6</sup>, has had a devastating impact on the supply of privately rented properties across the UK. The measure has resulted in landlords being able to no longer deduct those additional costs from the income they earn on their properties before it's taxed, which also included mortgage interest relief. Furthermore, private rented sector landlords have been impacted by the removal of the 10% Wear and Tear Allowance for fully furnished properties being replaced with an at-cost relief, maintaining Capital Gains Tax (CGT) for rented property at 28%, when it was reduced to 18% for other assets, and a rise in corporation tax from 19% to 25%. During our recent Autumn Statement representation to HM Treasury<sup>7</sup>, we called for the government to reintroduce Mortgage Interest Relief and other taxable deductions. While this is an action reserved for the UK Government, the Scottish Government should investigate the impact taxation policy has on landlords and the supply of PRS property in Scotland. For example, Land and Buildings Transaction Tax (LBTT) replaced SDLT 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 6% of the purchase price. Under LBTT an inspiring buy-to-let landlord purchasing an additional property for £185,000 can expect to pay £11,900 in Land and Buildings Transaction Tax. A purchaser buying as main resident only would pay £800 in LBTT. We would recommend reducing the ADS for anyone purchasing property to support demand for private rented housing to stimulate growth and to incentivise landlords to invest in Scottish homes.

## Increasing housing supply for the most vulnerable

7. We support a series of welfare reforms and respect the fact that these welfare measures are reserved for the UK Government but believe the Scottish Government should use its influence to communicate the importance of reforms to the UK Government to protect the most vulnerable tenants. We welcome the Chancellor's budget announcement that Local Housing Allowance will be pegged at the thirtieth percentile and topped up annually to keep pace with market rents. However, we also believe reform to welfare should also extend to the provision of Universal Credit. The end of the five-week waiting time should be ended, and loans for advance payments should be converted to grants to prevent further debt to vulnerable people.

## Avoiding rent controls

8. The Scottish Government must end the three per cent rent cap and evictions moratorium on Scottish privately rented accommodation after March 2024 and avoid further long term rent control measures. The policy has had a detrimental impact on supply of private rented sector

<sup>6</sup> <https://www.legislation.gov.uk/ukpga/2015/33/section/24>

<sup>7</sup> <https://www.propertymark.co.uk/static/f623d7b6-9bb2-4d57-b6621d41afee10e4/HM-Treasury-Autumn-Statement-2023-Representation-from-PropertyMark.pdf>

accommodation. According to the Rent Service Scotland market evidence database, average rents increased at a Scotland level in the latest year across all property size categories.<sup>8</sup> This has included:

- 11.7% or £68 per month for 1-bedroom properties, reaching £648 per month.
- 14.3% or £105 per month for 2-bedroom properties, reaching £841 per month.
- 13.3% or £121 per month for 3-bedroom properties, reaching £1,026 per month.
- 13.4% or £196 per month for 4-bedroom properties, reaching £1,656 per month.
- 15.1% or £64 per month for 1-bedroom shared properties, reaching £490 per month.

### **Build more social housing**

9. The long-term solution to address the lack of affordability in the private rented sector is to ensure that more social housing is built to reduce housing need. Council house building has risen steadily in recent years, but many existing social rented homes have been demolished or lost through the Right to Buy scheme. To improve the situation, the next government must commit to a significant programme of building social housing to ensure that renting is more affordable and secure for renters in all tenures.

### **Build housing for older people and provide incentives to rightsize**

10. By 2036, it is estimated that 1 in 3 people will be over the age of 65 in most Scottish regions.<sup>4</sup> In order to cater for this demographic, the Scottish Government must do two things. Firstly, require local authorities to have a plan for retirement housing, including identifying appropriate sites and design specifications across a mix of housing tenures for older people to rent and buy. Secondly, promote the benefits of rightsizing and incentivise people to do so by offering an LBTT exemption for 'last-time' buyers looking to downsize.

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<sup>8</sup> [Private Sector Rent Statistics, 2010 to 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/private-sector-rent-statistics-2010-to-2023/pages/10-introduction.aspx)