

# April tax changes encouraging residential investors to buy now



## 'Buy to let' investors – should you buy now?

There are some changes proposed to the tax incurred on a property purchase from April 2016 which might make you think about doing just that.

The Scottish Government announced its budget in December 2015 and within that there are provisions to raise Land and Buildings Transaction Tax (LBTT) to 3% on second homes or homes you plan to purchase for investment. This will affect all houses above £40,000 and the government hopes to raise between £17 and £29 million in the next financial year.

As it stands at the moment there is no tax payable on any property purchased up to £145,000, but this move will introduce a tax on second properties below that price too.

LBTT was only introduced in April 2015, the first Scottish Tax paid direct to the Scottish Government through the newly constituted Revenue Scotland. It replaced the old Stamp Duty charged by the UK revenue, but it has always been the case that rates of tax are revised from time to time.

LBTT is charged on any purchase of property situated in Scotland, no matter where the tax payer lives. It is usually paid very soon after the property purchase is settled.

The Scottish Government has recently announced that there will be an additional charge for those buying second or subsequent houses which cost over £40,000. This additional charge of 3% will apply to the whole price. It will not affect you if you

are going to live in the new property as a main residence, but it will affect property investors.

There are different rules and rates for non-residential and for commercial or agricultural properties, and notably student accommodation is exempt from any LBTT. (perhaps one reason why so many developers choose to build student flats in the city?) Additional legislation is expected from Holyrood shortly, particularly as the Stage One Debate will take place tomorrow, 23 February 2016. The plan is to pass the necessary legislation before Parliament dissolves on 23 March. The UK Government has already consulted on similar legislation for the rest of the UK.

You can read the Finance Committee's Stage 1 Report making recommendations to the Scottish Government in full below.

Meantime it seems clear to most property experts that if you are buying a second home or if you are a property investor then there is no time like the present.

[McQueen Legal](#) can provide a quote on how much your property purchase will cost you in terms of fees and LBTT, whether you buy now or after April 2016.

Mary McQueen said: "All things being equal, we would suggest completing your purchase prior to 1<sup>st</sup> April, but don't be tempted to pay over the odds for your purchase now in order to save the additional tax.

"We can advise on the best way forward in individual circumstances."



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