

LBTT on second homes 'to protect first time buyers'



As widely expected The Scottish Government has introduced legislation this evening to increase the charges on second homes from 1 April. This will affect those buying second homes for themselves or on a buy to let basis.

Following this afternoon's Stage 3 debate, MSPs have this evening voted in favour of the Land and Buildings Transaction Tax (LBTT) (Amendment) (Scotland) Bill.

The supplement was proposed by Deputy First Minister John Swinney to protect first time buyers in Scotland from potential distortions to the property market in the wake of the Chancellor's announcement in November 2015 of a similar charge being introduced by the UK Government from April 1 2016.

The LBTT supplement is three per cent of the total price of the property price for all relevant transactions above £40,000 and is payable in addition to the current LBTT rates. It will take effect from 1 April 2016.

Mr Swinney said: "Our priority is to make sure first time buyers have the greatest possible chance to get a foot on the property ladder.

"That is why I decided to act to avoid any potential distortions that could arise in Scotland from the new higher rates of stamp duty land tax payable on the purchase of additional residential properties, announced by the Chancellor of the Exchequer in his Autumn Statement on 25 November 2015.

"This is particularly relevant to the purchase of additional

residential properties, at the lower end of the market, which could make it more attractive to invest in such properties in Scotland compared to other parts of the UK.

“Our LBTT additional homes supplement will ensure that opportunities for first time buyers to enter the housing market in Scotland remain as strong as they possibly can.

Revenue Scotland will administer the higher rates introduced by this Bill, with support from Registers of Scotland (RoS).

Table 1 : Residential property rates

Property value	LBTT rate**	LBTT rate + supplement*
Up to £40,000	0%	0% + 3% = 3%
£40,000 to £145,000	0%	0% + 3% = 3%
£145,000 to £250,000	2%	2% +3% = 5%
£250,000 to £325,000	5%	5% + 3% = 8%
£325,00 to £750,000	10%	10% +3% = 13%
Over £750,000	12%	12% +3% =15%

* Supplement only payable on transactions above £40,000. The 3% supplement would be applied to the whole purchase price and not just the proportion of the price above £40,000.

** the supplement is capable of applying to transactions to which non-residential rates apply where the transaction includes the purchase of a dwelling