

Scottish Government - Land and Buildings Transaction Tax - property investment funds:

consultation

Response from Propertymark

August 2025

Background

1. Propertymark is the UK's leading professional body of property agents, with over 19,000 members representing over 12,500 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.¹

Consultation – overview

2. As part of the 2025-26 Scottish Budget, the Scottish Government committed to bring forward legislation in respect of the interaction between Co-Ownership Authorised Contractual Schemes (CoACS) and Land and Buildings Transaction Tax (LBTT).² This consultation seeks views on three specific issues focussed on the interaction between investment and devolved tax legislation.
3. The 2025-26 Programme for Government sets out ambitions for attracting private capital investment to Scotland, focused on priority sectors including housing.³ It details a range of actions through which the Scottish Government is seeking to understand investor sentiment and create the conditions for increasing private investment in essential infrastructure, including the commitment to implementing the recommendations of the Housing Investment Taskforce, which is aimed at unlocking new investment opportunities across all tenures.⁴

Propertymark response

4. Propertymark welcomes the Scottish Government's focus on attracting private capital investment to Scotland. While Propertymark does not have sufficient expertise in tax accountancy to usefully

¹ <https://www.propertymark.co.uk/>

² <https://www.gov.scot/publications/scottish-budget-2025-2026/>

³ <https://www.gov.scot/publications/programme-government-2025-26/>

⁴ <https://www.gov.scot/publications/housing-investment-taskforce-report/>

comment on whether the proposed legislation will be effective in its aims, Propertymark would like to take the opportunity to reflect on the LBTT and Additional Dwellings Supplement (ADS).

- **Aligning reliefs** - Propertymark welcomes the intention of the Scottish Government to bring reliefs on LBTT for investor schemes into line with the reliefs that exist in England and Northern Ireland. Propertymark agrees that this will make investment in the Scottish housing sector more attractive to institutional investors. Propertymark would like to see similar incentives to invest for individual investors who are not operating through a Co-Ownership Authorised Contractual Scheme or Reserved Investor fund.
- **Review the role of taxation in supporting housing investment** - Propertymark encourages the Scottish Government to bring forward the recommended review of the role of taxation in supporting housing investment set out in the Housing Investment Taskforce's report published in June 2025, and to implement the proposed changes for property investment funds alongside a broader suite of measures designed to attract investment from both institutional and individual investors. Such a review should aim to create a level playing field for all types of investors.
- **Additional Dwelling Supplement** - currently, property investment funds may already benefit from advantages unavailable to traditional individual investors in the private rental sector. For example, ADS is a significant disincentive to landlords who may otherwise wish to expand their portfolio and contributes to the cost of renting, but it could be avoided by property investment funds if they have sufficient investors so that the individual share in a given property is less than £40,000. The ADS does not apply if 'you own a share in a jointly owned property and the value of your share is less than £40,000.'⁵ This tax, originally introduced at a rate of 3% in 2016, is particularly damaging to investment from individual landlords now that the rate has increased to 8%. The rate increased in January 2019 to 4%, from 4% to 6% in December 2022, and from 6% to 8% in December 2024.
- **Impact of private rented sector landlords** - the number of property transactions incurring the ADS has remained largely static, but the revenue from ADS payments has increased substantially. The risk of introducing reliefs on LBTT is that individual landlords who do

⁵ <https://revenue.scot/taxes/land-buildings-transaction-tax/additional-dwelling-supplement-ads>

choose to expand their portfolios pay an increasing share of the growing ADS revenue, while institutional investors gain relief from both LBTT and ADS. The Scottish Government should consider reducing the overall rate payable under the ADS. Alternatively, the Scottish Government might consider removing the ADS for all properties which are bought for the purposes of long-term letting to encourage investment in the private rental sector.

5. Propertymark would welcome further discussions with Scottish Government officials about the need to review of the role of taxation in supporting housing investment as set out in the Housing Investment Taskforce's report.