

Land and Buildings Transaction Tax Additional Dwelling Supplement Call for Evidence
Response from Propertymark
March 2022

Background

Propertymark is the leading professional body for estate and letting agents, commercial agents, inventory providers, auctioneers and valuers, comprising nearly 18,000 members across the UK. We are member-led, with a Board which is made up of practising 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.

Question 18: Is there any other issue regarding the operation of the ADS legislation which you would wish the Scottish Government to consider as part of the overall review? If so, please provide explanation and commentary on any available evidence about this.

1. Propertymark would urge the Scottish Government to ensure that the Additional Dwelling Supplement (ADS) does not inadvertently disincentivise investment in the private rented sector (PRS), where demand currently outstrips supply. Whilst we appreciate that exemptions for purchasers of additional homes for let in the PRS would have practical limitations, we feel that investment in the sector could be stimulated through amendments to the ADS relief available on the purchase of multiple properties.
2. Full relief from ADS is presently granted where six or more dwellings are purchased in a single transaction, and whilst this may encourage professional and corporate investment, it fails to recognise the social and economic benefits arising from investment by individual private landlords who make up the majority of the sector. As of 2019, 94 per cent of registered landlords held a single property, while 5 per cent held 2 properties. Landlords owning three or more properties accounted for just 1 per cent of all registrations.¹ Assuming these landlords also owned a main residence, it is likely that the vast majority would have been liable for ADS.
3. Propertymark suggests that consideration should be given as to whether ADS relief could be applied on a tapering basis to promote investment in the PRS with a view to rectifying the imbalance between supply of and demand for private rented property. We propose the following rates of ADS to facilitate this:

Number of properties purchased per single transaction	ADS liability
1	4%
2	3%
3	2%
4-5	1%
6+	0%

¹ Landlords in Scotland: FOI Release, 6 November 2020: <https://www.gov.scot/publications/foi-202000090239/>.

4. Whilst not within the scope of this consultation, we would urge the Scottish Government to review how ADS could be applied to encourage investment across a wider range of house types to help ensure that there is adequate provision of private rented accommodation for a broader set of households. Presently, ADS acts as an inhibitor to investment and skews investment to the lower end of the market, meaning the provision of family homes within the PRS is particularly limited. We would suggest that Scottish Government might consider a system that accounts for the number of units purchased alongside the transaction value. Such a system could go some way to ensuring that PRS investment is more evenly spread, whilst transactions involving one or two properties at the higher end of the market would remain liable for the full ADS liability on the assumption that they are less likely to be used as private rented accommodation.