

Call for evidence: The Land and Buildings Transaction Tax (LBTT)

Finance Committee

Submission from Council of Mortgage Lenders

Introduction

1. The Council of Mortgage Lenders (CML) is the representative trade association for mortgage lenders. Our 132 members comprise banks, building societies, insurance companies and other specialist mortgage lenders who, together, lend around 95% of the residential mortgages in the UK. In addition, the CML's members have lent over £60 billion UK-wide for new-build, repair and improvement to social housing of which just under £4 billion is in Scotland.

2. We welcome the opportunity to respond to call from evidence from Scottish Parliament Finance Committee on the operation of LBTT from 1 April 2015.

The impact on both the residential and commercial property market of the various rates and bands

3. We are not involved in the commercial property market and cannot comment upon that. The data which we have for residential mortgage lending in Scotland in the quarter to 30 June 2015 shows that 16,700 loans for house purchase were granted with a total value of £2.13 bn. This represented a 39.2% increase in the number of loans and 27.5% in value on the first quarter of 2015. The number of loans increased by 3.1% on the corresponding quarter of 2014 and in value by 4.4%. Within these figures there were 8,000 first time buyer loans an increase of 50.9% and 5.3% on the first quarter of 2015. While these figures are positive they could have benefited from an element of transactions being held back where the LBTT rate was lower than Stamp Duty Land Tax (SDLT). It is also the case that purchasers could have been taking advantage of competitive deals in the mortgage market. We believe it will be some time yet before the full impact of LBTT on the residential property market is understood but the first quarter following the introduction of LBTT appears to have been a positive one for the residential property market in terms of mortgage lending.

The level of receipts for residential and non-residential transactions in relation to the forecasts

4. We have no knowledge in this regard and would suspect that the Scottish Government/Revenue Scotland is best placed to provide evidence on this.

CML Scotland

The extent to which higher paid transactions were brought forward to avoid the higher rates

5. Estate agents and Solicitors who are directly involved in the sale and purchase of residential property are probably best placed to comment upon this but we have heard anecdotal evidence that this was the case and it would not be surprising as when changes in SDLT were previously announced well in advance they caused short term distortions in the level of transactions in the housing market.

The extent to which lower-priced transactions were delayed until after 1 April

6. Our comments in 5. above equally apply.

Whether there should be any changes to the rates and bands for residential transactions in the draft budget for 2016-17

Before commenting upon this we believe the full impact of LBTT needs to be better understood and whether it will have a long term adverse impact on the higher end of the residential property market where purchasers are paying more than they did under SDLT.

The performance of Revenue Scotland in administering and collecting the tax

7. Our members are not directly involved in the payment of LBTT and that is usually arranged by the Solicitor acting for the purchaser. We have not heard any “noise” of issues in the collection and administration of LBTT and in many ways it would be surprising if there was as fundamentally the system has not changed with Registers of Scotland acting as agent for collection for LBTT on behalf of Revenue Scotland in the same way as they did previously for HMRC in respect of SDLT.

Further contact

8. This response has been prepared by the CML in conjunction with its members. Any comments or enquiries should, in the first place, be directed to:

Kennedy C Foster

1 October 2015