



## **Response to the Scottish Parliament's Finance Committee call for evidence on The Land and Buildings Transaction Tax (LBTT) from the National Association of Estate Agents (NAEA) October 2015**

### **Background**

National Association of Estate Agents (NAEA) is the UK's leading professional body for estate agency personnel, being part of a group representing 14,600 members who practice across all aspects of property services both in the UK and overseas. These include residential and commercial sales and lettings, property management, business transfer, auctioneering and land. The NAEA is a sister organisation to the Association of Residential Letting Agents (ARLA).

NAEA is dedicated to the goal of professionalism within all aspects of property, estate agency and land. Its aim is to reassure the general public that by appointing an NAEA member to represent them they will receive in return the highest level of integrity and service for all property matters. Both NAEA and ARLA members are bound by a vigorously enforced Code of Practice and adhere to professional Rules of Conduct. Failure to do so can result in heavy financial penalties and possible expulsion from the Associations.

### **Views on the operation of the tax since 1 April:**

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

1. We know from asking our members in Scotland that average house price has decreased minimally, by £176 or 0.1% in the past year. We believe this is largely due to the introduction of LBTT and the fall in the number of high value properties currently being sold in Scotland.
2. We also know from the Your Move/Acadata House Price Index - published on 16<sup>th</sup> September 2015 that average house price has risen reasonably smoothly from July 2014 to February 2015, but there was a +23% rise in the average house price in March.



This was due to the exceptional number of high value sales that took place in that month.

3. Members also experienced a slight increase in the number of properties coming to market priced £400,000 and above towards the end of 2014 where sellers were eager to secure a buyer and settle the transaction prior to the change in April. As a result the number of middle to top-end properties coming on the market in Spring this year was down compared to the same period in 2014.
4. One of the consequences of the reduction in the number of sales at the top end of the market is that the average house price in Scotland in July 2015 is marginally lower than that recorded a year earlier.
5. We are also aware that first-time buyers have been more active this year. Members suspect this is largely due to the availability of mortgage lending rather than the tax savings from purchasing a property at the lower end of the market.

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

6. Figures from a member organisation in Scotland show that 766 properties, each costing up to £145,000 were sold in the period from April to August 2013. During the same period in 2014, 735 properties were sold and in 2015 during April to August 715 properties were sold.
7. We expected the new rules to help first-time buyers and the lower end of the market but these figures show that fewer properties up to £145,000 price range were sold in 2015 since the new rules came in compared to the same period in the previous two years.
8. When comparing the sale of properties priced from £145,000 to £250,000 between April to August 2013, the number was 278, in 2014 it was 315 and from April until August 2015 it was 297. These results show that under the new rules, sales activity is down in the £145,000 to £250,000 price range in comparison to last year, but more properties were sold than in 2013.



9. Between April until August 2013, 32 properties priced from £250,000 to £325,000 were sold. For the same period in 2014 it was 43 properties and this year from April until August 45 properties were sold. This represents an increase in sales activity in the mid to high end price range after the change in the law compared to the previous two years.
10. We expected the higher rate for the most expensive homes would mean fewer transactions but the figures that members have provided do not prove this. For instance, the sales figures for properties sold costing over £325,000 from April to August 2013 were 10, for the same period in 2014 this was 16 sold and in 2015 the number was 18.

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

11. Information from our members show that sales figures for residential property sold priced from £250,000 to £325,000 from January to March 2015 were no different to the number of properties sold during the same period in 2014.
12. However, more residential property was sold this year costing over £325,000 when comparing the period between January and February 2014 and the same period in 2013.
13. For residential property sold over £750,000 in March 2015 (excluding Edinburgh) sales figures show 113 sales compared to 3 in April and 9 in May. The number of properties sold increased to 19 in June but went back down to 3 properties sold in July.
14. The number of prime residential property sold in Edinburgh in March this year was 115 compared to no sales in April, 5 in May, 7 in June and 3 in July.

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

15. Figures from our members explain that fewer properties costing between £25,000 or less up to £145,000 were sold between January to March this year compared to the same period in 2014.



16. For property sales on residential property priced from £145,000 to £250,000, this was lower between January and March 2015 when compared to the number of properties sold during these months in 2014.

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

17. The changes to stamp duty were well signposted in advance of their implementation. However, the figures we have obtained show that fewer residential properties have been sold at the lower end of the property market since the new rules were introduced in comparison to the previous two years.

18. However, this could be down to some short term limited impact and it taking the market longer to factor in the changes and adjust accordingly.

19. We must continue to have flexible lending criteria and build more affordable homes for first-time buyers and cater for the lower end of the market. Measures such as the Help to Buy ISA are a step in the right direction.

**The performance of Revenue Scotland in administering and collecting the tax**

20. We do not have any details about the performance of Revenue Scotland in administering and collecting the tax.