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## **Existing Homes Alliance Scotland response to Scottish Government consultation on proposals for a Land and Buildings Purchase Tax**

The Existing Homes Alliance Scotland (ExHA) is a coalition of organisations which have come together to seek improvements in the energy performance of Scotland's existing housing stock. It is an alliance of environmental, anti-poverty, consumer, housing and building organisations who believe that urgent action is required to transform Scotland's existing housing stock.

We welcome the opportunity to feed into the Scottish Government's consideration on its proposals for a *Land and Buildings Purchase Tax*.

Our interest in this consultation is limited to its potential to influence investments related to energy efficiency improvements. Our comments are therefore focused upon this area and in particular question 2.

**QUESTION 2 – SUPPORTING SCOTTISH GOVERNMENT PRIORITIES:**  
***Do you think that the Land and Buildings Transaction Tax should be amended in future to support key Scottish Government priorities? If yes, what objectives should changes focus on and what would be the best way of doing this?***

ExHA believes there is a clear role for the LBTT to operate to support wider government objectives. It is clear that the principle of using tax to encourage energy efficiency investments has already been established (e.g. through VAT reductions on specified materials at UK level and, at a Scottish level, through requirements within the Climate Change Act for local authorities to develop relief on council tax), and evidence suggests it could be effective in doing so<sup>1</sup>.

Using the LBTT to incentivise energy efficiency would help deliver legislative commitments to end fuel poverty (Housing Act) and tackle Climate Change (Climate Change Act) while reducing energy demand. Moreover, the Government's aim to support economic recovery through the creation of jobs is also highly relevant here.

We therefore fully support the principle of using the tax to incentivise investment in energy efficiency in homes and help reach Government objectives.

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<sup>1</sup> See: <http://www.spongenet.org/library/Delivering%20household%20energy%20efficiency%20through%20fiscal%20incentives.pdf>

## **One option is to encourage investment in energy efficiency through varying the level of tax according to a home's Energy Performance Certificate (EPC) rating.**

This could mean that the most energy efficient homes become cheaper to buy as the transaction costs decline. Therefore, demand for energy efficient homes might increase and thus incentivise sellers to invest to improve ratings. Alternatively, sellers might increase the asking price in the knowledge that savings in transaction costs would be realised by the buyer.

Both scenarios would add value to better performing homes and are likely to encourage investment by sellers.

For poorer performing homes demand may be dampened and prices reduced unless investment in energy efficiency is undertaken prior to sale.

We would assume therefore that some degree of market transformation can be developed through the use of the LBTT, and therefore would help deliver the Scottish Government's Sustainable Housing Strategy which further explores the theme of financial market transformation.

## **Such proposals must be integrated with other policies in order to maximise their effectiveness, in particular ExHA proposals on:**

- **Minimum energy efficiency standards for all housing** – incentives such as LBTT should be developed in a way which encourages action beyond that required by any future regulation on such standards – [ExHA policy](#)
- **Adequate financial mechanisms** – soft and pay-as-you-save type loans, along with grants for low-income households, should be developed to ensure that prices are not unnecessarily deflated or low-income households disadvantaged due to a lack of available funds for improvement – [ExHA policy](#)
- **National Retrofit Programme** – ExHA supports the [Government's intent to develop a National Retrofit Programme](#) and believes this must combine financial, regulatory and market mechanism policies designed to help meet climate change targets, the use of LBTT to add value to energy efficient homes fits well with this approach - [ExHA policy](#)

## **Potential delivery**

A range of methods for delivery could be developed. For example a variable discount could be applied to the tax liability if the house reaches an EPC of A or B (50%), C (30%), D (20%), and (0%) for E, F and G rated properties. As a percentage of overall tax raised from residential transactions in recent years this potentially makes available £80m to £170m to incentivise investment in energy efficiency measures.

Table 1 shows how such a system could work based on the current 'slab' approach. These levels of discount are merely used as examples and a more detailed analysis of what they should be and how they should be applied is required. This could be more fully developed once we have an understanding of how the Scottish Government intends to proceed. The Existing Homes Alliance would be happy to discuss the details of proposals further.

**Table 1**

<b>Value of house</b>	<b>% paid on value (current scheme)</b>	<b>Tax in £</b>	<b>Max discount of 50% under proposed relief for EPC A or B rated homes</b>
Up to £125,000	0	0	
Over £125,000 to £250,000	1%	£1250 - £2500	£1250
Over £250,000 to £500,000	3%	£7500 - £15000	£7500
Over £500,000 to £1,000,000	4%	£20000 - 40000	£20000
Over £1,000,000 to £2,000,000	5%	£50000 - 100000	£50000
Over £2,000,000	7%	£140000 - ?	£170000
Over £2,000,000 (purchase by company or partnership with corporate	15%	£300000 - ?	

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*On Behalf of the Existing Homes Alliance Scotland*