

John Swinney MSP
Deputy First Minister
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

10 January 2023

Dear John Swinney,

Re: Increased Additional Dwelling Supplement

Following your budget statement, I am contacting you on behalf of Propertymark members to express our concerns about the Scottish Government's decision to increase the Additional Dwelling Supplement from 4% to 6% from 16 December 2022, which is paid as part of Land and Buildings Transaction Tax (LBTT) on additional properties.

Propertymark is the UK's leading membership body for property agents, representing over 17,000 professionals. Even before the announcement at the budget our Propertymark members in Scotland already tell us of the plummeting desire for landlords to remain in the sector with 68 per cent of letting agents reporting an increase in notices to sell due to ongoing legislative changes including the Cost of Living (Tenant Protection) (Scotland) Act 2022.

Furthermore, data in October 2022 from one of our largest member agencies who manage just over 3,000 tenancies across Scotland shows in 2021 they issued 16 notices for arrears but 66 due to landlords selling and in 2022, up until September, there were 18 for arrears and 69 due to selling. Landlord selling notices are up from 33 in 2020. Consequently, we are concerned that on the one hand the Scottish Government is increasing the costs of buying a buy to let property but capping rents in the private rented sector to support tenants as a result of rising costs.

As you will know landlords have seen their tax burden increase in recent years. The withdrawal of tax relief on mortgage interest costs and replacement with a 20% tax credit, removal of the 10% Wear and Tear Allowance for fully furnished properties being replaced with an at-cost relief, maintaining Capital Gains Tax (CGT) for rented property at 28%, when it was reduced to 18% for other assets, a rise in corporation tax from 19% to 25% from 2023 and now higher rates of LBTT.

Supply of private rented property is the number one concern for Propertymark members. The number of properties available to rent has been diminishing with a large portion of landlords choosing to sell their properties. A lack of property is the root cause of rent increases and rising figures on social housing lists. The private rented sector is a key solution to resolve the housing crisis but if the Scottish Government continue with policies that disincentive landlords this will only make the situation worse.

To boost the supply of rented housing and reduce rent rises the Scottish Government should reduce the surcharge on additional homes to encourage further investment in the private rented sector. Property agents and landlords are continuing to react to the Scottish Government's response to the cost-of-living crisis as well as new housing legislation that will deliver the Scottish Government's New Deal for Tenants. We also know that through the shared policy programme between the Scottish Government and Scottish Green Party, there is a desire to implement a national system of rent

controls. Furthermore, the Heat in Buildings Strategy confirmed the Scottish Government's intention to introduce regulations requiring Scotland's homes to be energy efficient. As a result, the economic decisions of the Scottish Government must not be looked at in isolation but part of wider thinking and strategy for housing.

Due to the importance of the private rented sector and the impact of recent tax changes including the decision to raise Additional Dwelling Supplement we believe it is vital that the Scottish Government launch a review of all taxes relating to private landlords. Through a review the Scottish Government will be better placed to introduce policies that reduce costs for those wishing to invest in the sector, which in turn will help reduce rent for tenants, lead to longer-term tenancies and make it more affordable for renters.

We would be pleased to work with you on your officials on the content of any review. Your office can contact Timothy Douglas, Head of Policy and Campaigns at Propertymark timothydouglas@propertymark.co.uk to offer our assistance.

I am copying this letter to Claire Baker MSP, Convenor of the Economy and Fair Work Committee and Kenneth Gibson MSP, Convenor of the Finance and Public Administration Committee.

I look forward to hearing from you.

Yours sincerely,



Nathan Emerson MNAEA MARLA MNAEA (Comm)
Chief Executive Officer