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## Finance and Public Administration Committee

# Subordinate Legislation: The Land and Buildings Transaction Tax (Additional Amount: Transactions relating to second homes etc.) (Scotland) Amendment Order 2024

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# Finance and Public Administration Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to the National Performance Framework within the responsibilities of the Deputy First Minister, public service reform within the responsibility of the Cabinet Secretary for Finance and Local Government, and public administration.



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# Committee Membership



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# The draft Order

1. Land and Buildings Transaction Tax (LBTT) is payable on transactions of residential and non-residential properties and land. Additional Dwelling Supplement (ADS) is a surcharge on purchases of additional residential properties. ADS is chargeable where a transaction is for an additional dwelling purchased for over £40,000.
2. On 4 December 2024, the Scottish Government laid in Parliament a provisional affirmative instrument – [the Land and Buildings Transaction Tax \(Additional Amount: Transactions relating to second homes etc.\) \(Scotland\) Amendment Order 2024 \(SSI 2024/367\)](#) – hereafter referred to as the ‘LBTT Order’.
3. The LBTT Order amends the Land and Buildings Transaction Tax (Scotland) Act 2013 (‘the 2013 Act’) to increase the rate of ADS from 6% to 8% for transactions with an effective date of on or after 5 December 2024. The Scottish Government explains that this is “intended to prevent forestalling of transactions, which would be expected to arise should the date of introduction be later.” It does not, however, apply to transactions with an effective date on or after 5 December 2024 “where the contract for the transaction was entered into prior to 5 December 2024.”
4. The [Policy Note](#) accompanying the LBTT Order explains that this increase in ADS to 8% is “intended to support the Scottish Government’s drive to protect opportunities for first-time buyers in Scotland, reinforcing the progressive approach in place for LBTT rates and bands.”
5. The Scottish Government confirms that there is no statutory requirement to consult on this instrument. The increase in the rate of ADS was announced by the Cabinet Secretary for Finance and Local Government and published in the Scottish Budget 2025-26.
6. The Policy Note states that the LBTT Order does not discriminate unlawfully in any way with respect to protected characteristics either directly or indirectly; does not infringe on or affect any subject areas of the European Convention on Human Rights and that no privacy impacts have been identified. In addition, no new impacts on Island Communities have been identified; and the Order will have no impact on sustainable development. In relation to Local Government, there will “not be any additional administrative or compliance burdens specifically affecting local government beyond those duties local authorities are already subject to under the LBTT legislation.”
7. The Note also explains that a Business and Regulatory Impact Assessment has been published for the regulations and orders associated with the 2013 Act.
8. The Scottish Fiscal Commission (SFC) has set out its assessment of the impact of these amendments on overall LBTT revenues as part of [Scotland’s Economic and Fiscal Forecasts December 2024](#), which were published in December 2024. The SFC forecasts that LBTT revenue will increase as a result of the Scottish Government’s decision to increase ADS from 6% to 8% effective from 5 December 2024. The SFC forecasts that this increase will raise an additional £32 million in 2025-26.
9. As a provisional affirmative Order, this SSI came into force on 5 December 2024.

However, the Order will only remain in force permanently if the Scottish Parliament approves it within a 28-day period of it having been made.

# Delegated Powers and Law Reform Committee consideration

10. The Delegated Powers and Law Reform Committee, which considers the technical aspects of the instrument, considered the draft Order on 17 December 2024. The DPLR Committee reported in its [78th Report, 2024](#) and made no recommendations in relation to the Order.



# Finance and Public Administration Committee consideration

11. At its meeting on [7 January 2025](#) the Finance and Public Administration Committee took evidence from the Minister for Public Finance in relation to the LBTT Order. During evidence, the Committee asked a number of questions of the Minister, the responses to which can be found in the [Official Report](#).
12. The Committee discussed with the Minister the policy objectives the Order seeks to achieve. The Minister stated that the ADS increase—
  - ” fulfils a policy objective and raises additional revenue, which is clearly welcome, but there is no end game in the sense that we do not want to significantly alter the market in terms of the number of rental properties versus the number of owner-occupied properties. <sup>1</sup>
13. During evidence, the Committee discussed with the Minister the potential impact of the increase in ADS on the number of buy-to-let properties, and whether the measure would lead to an increase in the number of people buying their first property. The Minister advised that, since 2016-17, the number of second homes had reduced from around 27,000 to 24,000, but it is difficult to ascertain the extent to which this reduction has arisen as a result of the ADS rate.
14. The Committee asked the Minister about potential impacts of the Order on the housing sector, including on the build-to-let market. The Minister noted that transactions involving more than six properties are excluded from ADS, meaning that “the investment to build additional stock for the market is not impacted, because companies that are investing significant amounts to build large numbers of properties are excluded from ADS.”
15. The Committee queried whether the costs associated with the increased ADS rate could be passed on to tenants through increased rental prices. The Minister responded that landlords who already own property will not be impacted by the ADS increase, which will apply only when a landlord buys a property, and that “cost would be factored into the economics of that investment decision.” The Minister stated that “rent is a separate issue in terms of rent controls and the proposed legislation in the Housing (Scotland) Bill.”
16. During its evidence-taking, the Committee discussed with the Minister the potential behavioural impacts arising from the increase in ADS and the modelling the Scottish Government has undertaken to assess the potential impacts arising from an increase in ADS from 6% to 8%, compared to previous increases. The Committee queried whether the Scottish Government’s claim that an increase in the rate of ADS will lead to more first-time buyers being able to access property is sufficiently evidenced.
17. In response, the Minister explained that the Scottish Fiscal Commission took a perspective on the behavioural impacts arising from the previous increase in ADS from 4% to 6%, and that “the data has shown that, if anything, the SFC underestimated the revenue as a consequence of the increase and that there has

been less of an impact on the market than was anticipated”. The Minister went on to state that—

” It is evident that, as a consequence of the increase, the differential between what a first-time buyer and a landlord have to pay will widen, and, therefore, when they are competing against an invest-to-let landlord to buy a property, a first-time buyer will have a competitive advantage.

18. Following evidence to the FPA Committee on 7 January 2025, the Minister for Public Finance moved motion [S6M-15749](#), lodged in his name—

That the Finance and Public Administration Committee recommends that the Land and Buildings Transaction Tax (Additional Amount: Transactions relating to second homes etc.) (Scotland) Amendment Order 2024 be approved.

19. **Motion S6M-15749 was agreed to by division<sup>i</sup>. The Finance and Public Administration Committee therefore recommends that the Land and Buildings Transaction Tax (Additional Amount: Transactions relating to second homes etc.) (Scotland) Amendment Order 2024 (SSI 2024/367) be approved.**

- [1] Finance and Public Administration Committee. (2025, January 7). Official Report (2025). Retrieved from <https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/FPA-07-01-2025?meeting=16183>

**Finance and Public Administration Committee**

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