

# Comment on...

## Land and Buildings Transaction Tax for Residential Properties – Second Homes Supplement

Land and Buildings Transaction Tax (LBTT) was one of the first taxes to be fully devolved to the Scottish Government. It replaces Stamp Duty Land Tax (SDLT) and applies to all transactions in respect of land/property situated in Scotland regardless of where the purchaser may be based. Tax due on the purchase of a residential property is calculated on a progressive basis (unlike the previous "slab tax" where a flat rate was applied to the whole purchase price depending on which rate band it fell into) and the current rates are as follows :-

0% up to £145,000  
2% between £145,001 and £250,000  
5% between £250,001 and £325,000  
10% between £325,001 and £750,000  
12% on the remainder of the purchase price over £750,000

The purchase of a residential property for £285,000 would therefore attract LBTT as follows:

£145,000 at 0%	£0
£105,000 at 2%	£2,100
£35,000 at 5%	£1,750
<b>Total LBTT payable</b>	<b>£3,850</b>

## Second Homes Supplement

In his 2016/17 draft Budget, in December 2015, John Swinney announced a "second homes supplement" which will increase the LBTT rates by an extra 3% on certain residential property purchases. This followed a similar announcement by George Osborne in his Autumn Statement for SDLT which continues to apply to land/property purchased in the rest of the UK. The 3% supplement will be charged from 1st April 2016 and will be relevant to residential properties costing £40,000 or more. The second homes supplement will result in LBTT rates as follows:-

0% up to £40,000  
3% between £40,001 and £145,000  
5% between £145,001 and £250,000  
8% between £250,001 and £325,000  
13% between £325,001 and £750,000  
15% on the remainder of the purchase price over £750,000

If the property costing £285,000, mentioned above, was for a second home or a buy-to-let, the LBTT charge would increase from £3,850 to £11,200.

### Points to Note:

- The Scottish Government's Policy Statement advises that the objective is to protect first time buyers in Scotland.
- There will be detailed rules regarding what constitutes a second home.
- This is another blow for buy-to-let landlords who are already facing tax restrictions on their loan interest relief.
- The 3% supplement is to be charged on second homes purchased by individuals but it will also apply to **all purchases of residential property by companies**, although there may be an exemption for bulk purchases.

For further information, please contact:

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