



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Tuesday 17 January 2023**

**Session 6**



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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**

**2<sup>nd</sup> Meeting 2023, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Daniel Johnson (Edinburgh Southern) (Lab)

**COMMITTEE MEMBERS**

\*Ross Greer (West Scotland) (Green)

\*Douglas Lumsden (North East Scotland) (Con)

\*John Mason (Glasgow Shettleston) (SNP)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Tom Arthur (Minister for Public Finance, Planning and Community Wealth)

Ewan Cameron-Nielsen (Scottish Government)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

Tuesday 17 January 2023

[The Convener opened the meeting at 09:30]

### Subordinate legislation

#### Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2022 (SSI 2022/375)

**The Convener (Kenneth Gibson):** Good morning, and welcome to the second meeting in 2023 of the Finance and Public Administration Committee.

The first item on our agenda is an evidence session with the Minister for Public Finance, Planning and Community Wealth, Tom Arthur, on a Scottish statutory instrument. Mr Arthur is joined by Ewan Cameron-Nielsen, who is head of the fully devolved taxes unit at the Scottish Government. I welcome you both to the meeting.

I advise members that I own a flat that I rent out, as per my entry in the register of members' interests.

I invite Mr Arthur to make a short opening statement.

**The Minister for Public Finance, Planning and Community Wealth (Tom Arthur):** Good morning. The Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2022 provides for the increase in the land and buildings transaction tax additional dwelling supplement rate that was set out in the Scottish budget on 15 December 2022. The order increases the rate of the ADS from 4 per cent to 6 per cent. The change is intended to protect opportunities for first-time buyers and home movers by further helping them to compete with buy-to-let investors and second-home owners.

In addition, the change is forecast to raise much-needed revenue at a time when public finances are under significant pressure. The Scottish Fiscal Commission estimates that it will raise an additional £34 million in 2023-24.

As members will be aware, the legislation provided for the rate increase to take effect on the day after the Scottish budget statement, 16 December 2022. That near-immediate change was intended to prevent the possibility of

forestalling, which would have both reduced its revenue impact in the next financial year and run counter to the policy intent. The near-immediate introduction was also intended to provide certainty for taxpayers, while acknowledging that the legislation must be approved by the Scottish Parliament in order to remain in force. As with previous rate changes, the instrument includes a transitional provision so that anyone who entered into a transaction prior to 16 December will not pay the increased rate.

I welcome the evidence that a range of organisations have submitted in response to the committee's call for evidence, and I look forward to members' questions.

**The Convener:** Thank you, minister. I will begin with some questions and then open the session to colleagues around the table.

The committee received submissions from the Convention of Scottish Local Authorities and from some local authorities that have concerns about the impact on local authority housing. For example, Clackmannanshire Council said:

"Local Authorities pay LBTT and ADS on the same basis as private sector developers and land speculators",

but noted that,

"no additional grant is available to meet the cost of this tax."

It went on to state:

"This is in contrast to the full exemption from both LBTT and ADS that is available to Registered Social Landlords."

Why is that exemption in place for registered social landlords, but not for local authorities?

**Tom Arthur:** As the convener and the committee will be aware, we are in the process of carrying out a review of the ADS and will have more to say about it relatively soon. We are carefully considering the consultation responses, and I will have more to say on that specific issue in due course. I am not currently in a position to go into any further detail on what the outcome of the review will be, but that issue has been considered as part of the review.

**The Convener:** I can understand your position, but it is somewhat disappointing. Local authorities are concerned that the change is going to impact on them now. As you know, Clackmannanshire Council is the smallest mainland local authority, and yet it says:

"The increase in ADS from 4% to 6% will add a further £50,000 to the cost of our house purchase programme this year and an estimated £204,000 in 2023/24."

That is not insignificant, as I am sure you can appreciate. The council's submission goes on to talk about the unfairness of the change and says that it will put "additional pressure on rents" at a time when the cost of living is high.

When are you likely to produce the review? One of the committee's concerns is that the Scottish Government often tells us that it is going to produce reviews or reforms, and yet the months pass by and we do not see them. To be fair, we get the same from the United Kingdom Government. When will we get a potential change that would benefit local authority tenants?

**Tom Arthur:** We gave that careful consideration as part of a broad review of the ADS that we did last year. It is a complex area, and it is important to get the balance right, but in the near future I intend to bring forward regulations for consultation. Those will respond to a number of the areas that have been raised as part of the review process. It will be a matter for the committee to consider, and I am happy to give further evidence when we are in the position to publish our intentions. We have not finalised our decisions, so I do not want to speculate about what our response will be to the review. However, I assure the committee that we will bring forward those measures quite soon.

**The Convener:** The Convention of Scottish Local Authorities has said that the increase impacts on its ability to purchase empty properties, for example, which it feels will be detrimental at a time when there is pressure on housing. In its submission, it said:

"There is no obvious policy objective to be achieved by the current arrangements for the payment of LBTT and ADS by local authorities that would justify the different treatment of them and their tenants to RSLs and their respective tenants or the additional costs involved."

The point that COSLA makes, reinforcing what individual local authorities are saying, is that it will soon have to set rents for next year. The minister is talking about carrying out a review and potentially taking decisions, but without giving a date for a decision. It is therefore quite clear that rents will have to be set without a decision being made by the Scottish Government. I do not understand why there is a difference between RSLs and local authorities.

**Tom Arthur:** That policy has been in place for a while, but I am conscious that it has been raised as an issue. That is why we have considered it as part of the review.

**Ewan Cameron-Nielsen (Scottish Government):** Perhaps I can provide a bit more context on the genesis of the policy. Back when the land and buildings transaction tax was introduced, different arrangements were put in place. There was a specific relief for RSLs in the Land and Buildings Transaction Tax (Scotland) Act 2013, and there were reliefs that would have been relevant to local authorities at that time, such as planning obligation reliefs, where local authorities acquire housing through section 75 agreements—agreements made under section 75

of the Town and Country Planning (Scotland) Act 1997—and there are other reliefs in the legislation that apply to local authorities.

In a sense, the difference that has emerged in relation to the ADS, which councils and others have flagged, relates to the fact that the reliefs available to RSLs flow through from the original LBTT relief arrangements in a slightly different way than they do for councils. Based on that, councils have flagged the difference in approach. In that context, there is no specific ADS relief for RSLs; it is more a reflection of the overarching arrangements that were put in place when the LBTT legislation was agreed.

**The Convener:** It seems to me that, when the legislation was put in place, no thought was given to that anomaly. If there are two RSLs, with one run by a local authority and the other by a housing association, it seems daft that the relief applies to one and not the other. We will move on from that, but others might wish to look at it in more depth.

We have received responses from the Scottish Association of Landlords, the Scottish Property Federation and others. Although the theory behind the proposed increase is, as you said in your opening statement, that it will make more houses available to first-time buyers, the Scottish Association of Landlords said that most of its tenants are not in a position to buy, which is why they are in the private rented sector.

The Scottish Association of Landlords said that the increase will reduce the availability of properties in the sector, because it will act as a deterrent to people investing in the sector. The survey of members that it undertook last month revealed that

"44% of landlords are planning to reduce their portfolio size in the next 5 years"

and that

"around 10% of tenants in Scotland will be evicted in the next 5 years so that landlords can exit the sector by selling their properties with vacant possession."

If the sector has issues at this time, how will what has been proposed help?

**Tom Arthur:** I cannot comment on the decision that any individual landlord will take. It is also important to recognise that the ADS applies not only to the private rented sector, but to second homes and holiday homes as well. The clear policy intent behind it is to support first-time buyers and to raise much-needed revenue. As I set out in my opening remarks, the ADS will raise additional revenue; it is forecast to raise £165 million in the coming financial year, and £34 million of that is additional because of the changes that we are making.

That is the context in which we take these decisions. A broader context, too—not least, the prevailing economic conditions—will impact on the decisions that people who operate via the rented sector will take. As I have said, we take a balanced approach to our taxation policy, and a clear policy intent, which underlies the decisions that we take on the ADS, has been in place for a significant period.

**The Convener:** Would the Scottish Government consider a couple of areas for which exemptions have been suggested:

“investment in empty and new build properties”

in order to increase the supply of housing stock, and

“properties which are being purchased with a sitting tenant”?

**Tom Arthur:** With regard to any proposals for future changes, we have been undertaking a significant review of the ADS. We will always keep our policies on tax, and more general policies, under review. I am happy to hear suggestions about any changes that should be made. I ask that those proposals be made in a way that is consistent with our framework for tax.

**The Convener:** What is likely to be the behavioural impact of the measure? You have talked about the importance of the money—an additional £34 million—that will be raised through it. The £34 million is not net; it is following behavioural change. What is your view on the level of that behavioural change and how it will impact this tax in future years?

**Tom Arthur:** Ultimately, the SFC has set out its position. The changes that we have made will lead to a net increase of £34 million, once behavioural change is factored in. More broadly, looking at the revenues forecast for the coming years, a number of factors are at play—most obviously, prevailing economic conditions, as we enter an economic slowdown. We have also seen an increase in interest rates, which will naturally impact on demand for properties and, consequently, on the number of transactions that affect forecast revenue. Over the five-year horizon in the SFC’s forecast, we see revenues picking up.

**The Convener:** Everyone is aware of rising interest rates and prevailing economic conditions, but the issue that is being raised here—the concern that has been expressed from the market—is that the Scottish Government is not working to mitigate that situation but is going in the opposite direction. For example, Savills has said that the accumulation of measures has reduced the supply of rented accommodation in Scotland such that 29 per cent fewer properties are listed for rent in 2022, as compared with 2016. That is

the start of a downward slope, for which no incentive seems to be in place to reverse.

The SPF said that, following the measures, the tax on a home priced at £188,000 would be £12,140, whereas it was £8,380 before the rate change was implemented. In England, it would be £5,640, so the tax in Scotland would be more than double that in England, which could discourage investment in new property in Scotland.

**Tom Arthur:** What you have referred to would be specific to the ADS. For home buyers, the threshold is £145,000 and £175,000 for first-time buyers. It is important to take into account the distinction between property prices in Scotland and England, too: as of last October, the average property price in Scotland was, I think, around £195,000, whereas it is £316,000 in England.

**The Convener:** That is in the south-east of England. You will find that, in places such as Preston or Huddersfield, the average is nowhere near those prices.

**Tom Arthur:** That might be a fair point, convener, but the reality is that stamp duty is an England-wide tax that does not have regional variations, just as LBTT is a Scotland-wide tax.

**The Convener:** Okay. So, basically, the Scottish Government’s contention is that the money is important for investing in our health service and other front-line services, and you do not feel that there will be a detrimental effect on the housing sector, whether socially or privately rented.

**Tom Arthur:** I would also make the point that our devolved system of LBTT has been in place for some time. Following the pandemic, we have seen significant resilience and recovery in the housing market. I appreciate that, as we move into this year, the combination of the economic headwinds that we face in the wake of rising interest rates and the impact of the mini-budget, which has led to the withdrawal of mortgage products, will have an impact.

Looking at the revenue that we are raising, LBTT is a strongly performing tax and it is forecast to provide a net gain, once the BGA is factored in. The decisions that we take are balanced. We make them to support first-time buyers and to raise revenue, and that is what they are doing.

09:45

**The Convener:** You have talked about supporting first-time buyers. Where is the evidence that the additional dwelling supplement has helped first-time buyers and encouraged them into the market? Although it might impact on second homes, I am not aware of any evidence that suggests that it actually helps to increase the

number of people who are able to get on to the housing ladder in the first place.

**Tom Arthur:** The policy intent is to allow first-time buyers to compete more effectively. It is axiomatic that a home mover or a first-time buyer will not be subject to the ADS, whereas an investor or someone buying a second home, a holiday home or a buy to let property will be subject to the ADS. In terms of the tax liability, it allows for first-time buyers and home movers to compete more fairly, and it increases parity within the system. That is the policy intent.

**The Convener:** It does not lower the price of the house for those people; it just means that their rivals would pay more for the same house.

**Tom Arthur:** By definition, that is what the policy intends to do.

**The Convener:** Everyone is keen to ask questions. Michelle Thomson will be first, followed by Daniel Johnson.

**Michelle Thomson (Falkirk East) (SNP):** Good morning. First, I must disclose, as per my entry in the register of members' interests, that I own some buy-to-let property and that I was previously a member of SAL, but I have not been for some years.

The convener has asked a lot of the questions that I might have asked. However, I want to explore a bit more your thinking about the market.

As a statement of intent, I am not uncomfortable with the Scottish Government raising revenue through taxation or with a longer trend of diminishing the private rented sector to private landlords and increasing social housing. That is not an issue for me. I am interested in exploring what your calculations are on the long-term effect in the market and in the round triggered by the ADS. As we have already explored, that falls into LBTT. Can you talk me through your risk assessment of the policy change, what you see as the risks, to whom they apply, and the impact when they occur? I want to understand a bit more how you make policy decisions beyond deciding to raise revenue, which I entirely appreciate.

**Tom Arthur:** We make our tax policy decisions through the medium of our framework for tax, which we have discussed previously before the committee. That recognises a number of functions of tax. Yes, it is about raising revenue, economic stimulus, behavioural change and redistribution. We seek to implement tax policy changes in a way that is consistent with the six principles that we have set out—the four Adam Smith principles plus effectiveness and engagement. That is to contribute towards meeting our four strategic objectives: maintaining stability of revenues, responding to societal shift, national outcomes,

and a wellbeing economy. That is the process by which we take all our decisions on tax.

We had stability with the rates within the LBTT system for a number of years. There was an increase in the nil threshold in response to the pandemic, but the position subsequently reverted to the previous position. The decision that we have taken on the additional dwelling supplement is consistent with the long-standing policy intent, which I have already stated to the convener.

On what the impact will be, the SFC has provided forecasts. In looking at the net impact on the budget in each year forecast to 2027-28, we see a net increase of £256 million next year, £219 million the following year, £190 million, £175 million and £165 million. That is additional revenue that we will have because we have taken policy decisions on thresholds for our core LBTT across residential and non-residential, and because of what we are doing with the ADS. That will provide funding to help us to meet a range of objectives, including our strategic housing investment to support the social rented sector as part of the wellbeing economy.

The policy cannot be seen simply in isolation. There is revenue raising, as well, and that revenue will ultimately be deployed in support of local services and our housing programme.

**Michelle Thomson:** You make my point for me: the policy cannot be seen in isolation. I am trying to explore your consideration of the housing market, in which, for a variety of reasons, the supply of properties to rent might well be diminished. There is anecdotal evidence of that already happening; indeed, Professor Graeme Roy has pointed that out. That is not hitting yet, because income from LBTT is being brought in. However, it cannot be that far down the road before that has an effect on the wider market that will disproportionately affect people who need to rent and continue to rent in respect of rent rises and people exiting the market.

I go back to my original question. Do you undertake a risk assessment of tax changes that is based on setting out what the risk is, the probability of its occurring, and the impact that that will have if it occurs?

**Tom Arthur:** As part of any tax policy, we consider what the behavioural impacts will be with regard to revenue and, as I set out in relation to the framework for tax, how it relates to our wider objectives as a Government. Obviously, it is important to recognise that we are talking about a transactional tax. It does not impact on the existing PRS. Exemptions are in place—

**Michelle Thomson:** It does have an impact. I am not saying that it is the only thing that does; we have seen a number of malignant activities that

have also had an impact. I refer to section 24 of the Finance Act 2015 from Westminster and some of the rent changes. I agreed with the actions that the Scottish Government took, because I recognise the restrictions on its ability to support people at a time of crisis. However, if we look at the issue from the other side of the fence, we see that there is evidence that landlords are starting to leave the market. That will absolutely have an impact on available supply and therefore on rents.

I go back to my point. In respect of the wider market, of which the ADS is only part, can I assume that you do not undertake the type of risk assessment that I have asked about? Can I assume that you do not determine the risk, the probability of its occurring, and the impact on the wider market?

**Tom Arthur:** We are consistent. The policy supports our broader policy on housing in "Housing to 2040". That is Government policy that is already set out. All our decisions on tax are taken with regard to the wider considerations around Government policy. The approach is consistent and in line with our broader strategic objectives.

With regard to support for the PRS, I ask Ewan Cameron-Nielsen to come in on the exemption for six or more purchases.

**Ewan Cameron-Nielsen:** In respect of the larger-scale private rented sector, there is an exemption from the LBTT additional dwelling supplement where six or more properties are acquired in a single transaction. That has been taken up. The Scottish Government's policy narrative is very much about supporting the larger-scale private rented sector. Obviously, that goes alongside the overall position in terms of the PRS.

**Michelle Thomson:** I will finish off on the point. I appreciate that I am straying into territory that is not yours and that a lot of work is going on in housing, but may I impress on you that, as the issue is being thought about in the Scottish Government, people should look across the piece at a variety of stakeholders and, critically, look at the housing market as a market? I am not saying that I agree with all of this. I am very supportive of what the Scottish Government is trying to achieve, but there has to be an assessment of the behavioural effects and so on. Thus far, I have not been convinced that there is a recognition of that, and I certainly have not seen any data on risk that would support that.

**Daniel Johnson (Edinburgh Southern) (Lab):** I will follow similar themes.

Ultimately, housing supply is a significant issue. We are still in a process of recovery. Last year, the number of housing completions in Scotland was around 15,000, whereas pre-Covid levels were

around 22,000 a year. In turn, that was significantly below pre-2008 levels. To my mind, that is the context.

The Scottish Property Federation and others contend that the change will remove investment from housing. What evidence have you seen on whether buy-to-let results in direct investment in housing stock, or the extent to which it simply shifts existing housing stock between tenures? Has the Scottish Government looked at where that investment actually goes? Does it go into existing housing stock? To what extent does it create new housing stock?

**Tom Arthur:** On the first point, I agree with you entirely on the need to recognise the broader context in which housing operates and what factors determine supply and demand. That includes the impact of what happened in 2008; the pandemic, with the associated challenges around supply chains; the cost crisis and inflation; and the challenges around recruitment and retention in the construction sector. Those factors all have a part to play, and I am very much alive to that following Parliament's consideration of national planning framework 4. We cannot look at any one aspect of Government policy, whether it be planning or taxation, as a determining factor; broader macroeconomic elements are involved, and it is essential that we consider matters in that context.

With regard to looking at the impact, I take the example of revenue. The SFC has forecast that what will be lost in core LBTT revenue due to behavioural change will reach 50 per cent recovery, and it has anticipated 75 per cent recovery beyond that. That implies that transactions that were lost to the ADS will be made up for over time through first-time buyers and home movers.

I do not know whether Ewan Cameron-Nielsen wants to clarify any points in that regard.

**Ewan Cameron-Nielsen:** No—that is a reflection of the SFC's view.

**Daniel Johnson:** I am actually making a more fundamental point. What the minister has described refers to behavioural impacts and is to do with direct tax receipts. My point follows from Michelle Thomson's question about the assessment of the overall market.

Has the Scottish Government undertaken not just an assessment of the incremental marginal changes in the overall property supply, but more fundamental economic modelling to look at where the investment in housing stock comes from and to what extent buy-to-let results in direct investment?

I will be clear: I am somewhat cynical about the contribution that buy-to-let makes in that respect.

In my view, it largely shifts existing housing stock between tenures and does not necessarily contribute to that investment. By the same token, however, I would quite like the Scottish Government to reassure me that it has undertaken such economic modelling and that it has a view.

Ultimately, we need investment in housing stock. That has to be the bottom line from which we view all these measures. Has that economic modelling been undertaken? Will the Government undertake such modelling as part of its review of LBTT?

**Tom Arthur:** Our decisions on tax are taken in the round as part of the overall budget process, in the context of the Government's existing policy commitments. There are clear commitments around housing, in particular on the supply of affordable housing. The policies that we undertake overall with regard to residential LBTT reflect the characteristics of the Scottish property market, as was touched on earlier, with regard to average house prices.

We take account of broader economic factors, and decisions are taken in a way that is consistent with the policy objectives in other areas. In decisions around tax, there is, as much as there can be, a clear focus on revenue raising. We do not take things in isolation, which is why we said at the outset that a key part of the intent behind the ADS—as has been the case since it was introduced—is to provide support for first-time buyers.

**Daniel Johnson:** I am looking at the arguments that those in the sector are making. They claim, in broad terms, that investment will be reduced. However, I observe that they are unable to identify how many dwellings they are creating through that investment, and they are not able to put a figure on the level of investment in existing properties.

It strikes me that, if you are going to invest, you are either creating new properties or upgrading existing ones.

In addition, I observe from the Scottish house condition survey that the highest levels of defects and repairs being required are in the private rented sector. The figure is around 65 per cent compared with just below 50 per cent for the owner-occupied sector and just above 50 per cent for the social rented sector.

Does the Scottish Government take a view on how it can encourage investment not just in new dwellings but in existing dwellings? Does that form part of its assessment of taxation policy? Are there ways in which we could encourage investment in the housing stock, especially in relation to issues such as net zero?

10:00

**Tom Arthur:** Forgive me, but much of what you have touched on goes beyond my portfolio responsibilities and aligns more with those of Ms Robison and Mr Harvie. However, the answer to your questions about tax and investment in the context of finance and the economy is yes. I do not want to repeat myself, but our tax policy decisions are taken in the context of the budget cycle, the policy cycle and our strategic objectives as a Government. They are not taken in isolation. We are all familiar with and understand the clear policy intent behind the ADS, which is to do with the provision of support for first-time buyers.

Are there any specific points that you want me to touch on, beyond that?

**Daniel Johnson:** Forgive me, because there are no representatives of the sector here to answer for themselves. I am trying to probe the arguments. If people are going to argue that they are creating investment, they need to say how and where they are doing so and be able to point to it. Although I would like the Government to undertake some economic modelling, the sector needs to be a bit more specific and to be able to point to the investment in new dwellings or—critically—the investment in existing dwellings that it is creating, and I do not think that the statistics, especially those on the state of repair, argue in the sector's favour. That is the broad point that I was trying to make. Do you share that point of view?

**Tom Arthur:** I think that the Government's position, especially when it comes to the work that we are doing on new rights for tenants and the new deal for tenants, is consistent with your analysis and critique.

**Daniel Johnson:** Thank you. I will leave it there.

**Liz Smith (Mid Scotland and Fife) (Con):** I understand the need to raise revenue, particularly in the current difficult economic circumstances. I also understand that you believe that the policy has one principle behind it—to help first-time buyers. I might not agree with that, but I understand the context for the policy.

However, I agree with the concerns that have been raised by the convener, Michelle Thomson and Daniel Johnson, who have made it clear that we do not have much evidence on behavioural change. There is an expectation, even on the part of the Scottish Fiscal Commission, that there will be some behavioural change. Michelle Thomson was right to suggest to you that, in order to be absolutely clear that the Scottish Government is on the right track here, we need to have some evidence on behavioural change.

You have said that what the Government is doing needs to be considered in the macroeconomic context. That is true. One of the factors in that macroeconomic context is that the Scottish working population is not as big relative to the total population as we would like it to be from the point of view of improving productivity and so on. To what extent are you comfortable that the policy effects of the tax change will not have a detrimental effect on the mobility of the working population because of the difficulties to do with the housing stock? Specifically in relation to populations in rural areas, where we have pretty serious issues with housing, are you convinced that the increase in the ADS will not have a detrimental effect?

**Tom Arthur:** In answering the committee's questions, I am very conscious, as planning minister, of the need not to stray into that territory, too. As you can imagine, that has occupied a huge amount of my considerations in recent weeks and months, and there is a lot there that speaks to the specific points that you raise about the provision of housing and rural repopulation. However, I will stick to my public finance remit for the purposes of this committee session.

The policy lead on housing sits in a different portfolio. Clearly, the ministers for that portfolio are best placed to articulate their aims and objectives but, fundamentally, the key priorities are enhancing and protecting the rights of tenants, as well as ensuring that everyone in Scotland has access to a warm, safe home, which includes ensuring the availability of affordable homes.

As you also recognise, a significant number of factors, many of which are outwith our control, impact on that. I acknowledge that it can be quite difficult to disaggregate the various factors. However, that should not stop us from endeavouring to understand to the fullest possible extent the impact of our tax policy decisions.

We are consistent in our policy position that we want to increase productivity in Scotland and grow the number of highly skilled, highly paid jobs. We recognise that labour mobility is going to be an important part of that, in the context of our ambitions for a just transition to a green economy. That will also be particularly impactful and significant for our rural populations and communities. Those ambitions inform a range of policy decisions that we take in areas such as planning—specifically, our policy on housing and tenants—and taxation. As we have in previous years, we have maintained our residential LBTT rates, other than the ADS, to reflect the particular characteristics of the Scottish property market.

If we look at the data over the past 12 months—

notwithstanding the more recent challenges of tightening in the market as a consequence of changing economic conditions—we see that there was a strong recovery in LBTT revenues, including the ADS, followed the pandemic. That suggests that our policies on LBTT are effective in getting the balance right of raising revenue in a way that is consistent, and that the tax is hitting the spot where it generates a net gain above and beyond the block grant adjustment but does not have a negative behavioural impact, which would obviously undermine our intent of raising revenue.

**Liz Smith:** I accept that the tax will raise revenue—that is clear from the evidence that we have had so far. I will come back to the issue that Michelle Thomson asked about. The assessment of what is likely to happen in the housing market as a result of this change is that it will have potentially have quite serious effects. Obviously, we have the evidence that has been presented to the committee and we also have strong anecdotal evidence that people are withdrawing from the market.

My question is to ask the Scottish Government about the potential detrimental effects of the removal from the market of quite a number of landlords who have extra dwellings that can support the economy. I come back to the point about the rural economy because, in some cases, there is a danger that, if too much of that activity comes out of the market, not only could it have a damaging effect on the mobility of the working population and repopulating difficult areas for the rural economy, it could have a considerable effect on tourism. We cannot afford to have any detrimental effects on those aspects of the economy. What evidence are you considering on those aspects of the economy? Finally, what discussions have you had with the Cabinet Secretary for Social Justice, Housing and Local Government over those likely effects?

**Tom Arthur:** On the latter point, it goes without saying that, as part of the budget-setting process, in his capacity as acting Cabinet Secretary for Finance and the Economy, the Deputy First Minister will have discussions with all colleagues across the Government, which will inform policy. With regard to the impact of the tax change, I note the forecasts of the SFC for the coming years. I appreciate that, underneath those headline numbers of the revenue that is raised, there can be regional variations, and we will have to be alive to those issues and consider them carefully. However, fundamentally, as much as there is a policy intent, as I mentioned earlier, to support first-time buyers, there is also a policy intent to raise revenue. The nature of the devolution settlement is that the Scottish Parliament has limited levers at our disposal, so we have to take a balanced approach.

The Deputy First Minister set out clearly the Government's strategic priorities for the budget: tackling child poverty, reform of public services and a just transition to a net zero economy. Ultimately, those will have to be resourced through the revenue that we raise, a significant portion of which we raise directly, together with what comes through the block grant.

Policy decisions must take account of behavioural aspects and applicability to other policy areas, but revenue raising in itself is of significant importance, because we have to raise that revenue to be able to deploy it to support a lot of those other policy objectives. I am happy to give an undertaking to consider the points that have been made about how we can provide more information and data on the behavioural impact that those tax policies have as we go forward.

There are monthly updates from Revenue Scotland on the performance of LBTT, so we monitor it very closely. I regularly engage with Revenue Scotland directly to understand the performance of the tax and some of the impacts that could be emerging. It is something that we keep under continuous review. As has happened previously in the context of the pandemic, when there is a need to adjust policy to reflect circumstances—granted, they were exceptional circumstances—that is something that the Government is able and, if required, willing to do.

**Liz Smith:** Finally, I will pick up on the convener's point that there are some inconsistencies in this approach. It is unfortunate that the reform to the additional dwelling supplement issue is happening at the same time as the review; it is almost a case of putting the cart before the horse. You are undertaking a review process, so would it not have been better to do it the other way round?

**Tom Arthur:** I have to concede that that is a perfectly fair and reasonable point. It had been our intention to have progressed further on the ADS review. However, given the complexity of the ADS review and the importance of being able to provide certainty and get it right, we have taken a bit more time. As I said in my remarks to the convener earlier, we will be producing a response to the review shortly. I look forward to having opportunities for further engagement with the committee on what we produce at that point.

**Liz Smith:** For clarity, when is that likely to be?

**Tom Arthur:** It will be relatively soon. I think that we are in the realm of weeks rather than months.

**The Convener:** I was going to ask what "shortly" meant, so thanks for that.

**Ross Greer (West Scotland) (Green):** You have talked a lot this morning about the wider policy intent around the additional dwelling supplement, and you mentioned second and holiday homes specifically and distinctly from the private rental sector. Will you expand on the Government's policy intent around second and holiday homes?

**Tom Arthur:** We recognise that second and holiday homes can play an important part in local economies, but we also recognise that they can present many challenges as well, particularly around population retention and affordability. That is why we have taken this approach and why, through the joint working group that is looking at the resourcing of local government, including in relation to council tax, which was established following the Bute house agreement, we are, in conjunction with COSLA, looking at measures that can enhance local authorities' ability to respond to such issues, including, for example, through the additional council tax supplement for second homes.

**Ross Greer:** Given that we have some communities in Scotland, particularly coastal and rural communities, in which between a third and a half—and, in a few instances, more than half—of the properties are second or holiday homes, which are therefore unoccupied most of the time, would you acknowledge that, once that proportion of a local community is reached, the net impact on the community is negative? Any economic benefit during tourist season is more than outweighed by the fact that the community is in some cases largely vacant for most of the year.

**Tom Arthur:** Your point about the concerns is well made, and I know that those concerns are shared by many people, notwithstanding the positive impacts that holiday lets can have. There is clearly a risk that, if critical mass is reached, it can undermine the density of population that is required to sustain a community.

One of the issues that were much explored during the passage of NPF4 was the applicability of local living and 20-minute neighbourhoods in a rural context. That presents challenges and requires a bespoke response, but those challenges are exacerbated in a situation in which there are vacant properties.

The points are well made and, although it is not a solution in itself, tax policy, whether it be through LBTT or enhancing the powers that are available to local government through council tax, is important in addressing that.

10:15

**Ross Greer:** On the point about council tax specifically, when Government is evaluating the

net impact on public finances of any tax change or, in this specific case, the increase to the additional dwelling supplement and the effect that it will have on the housing market, do you take into account, for example, the fact that an owner-occupied house will contribute more because it gets no council tax relief and no NDR relief than it would get for a holiday or short-term let business and so on? Is the cumulative impact on public finances of those taxes that go to national and local government taken into account?

**Tom Arthur:** Yes. We consider that in the round. It is also a very important point in understanding tax differentials between Scotland and the rest of the UK. As we touched on earlier, it could be pointed out that there are lower thresholds for LBTT than there are for stamp duty. That is reflective of the Scottish property market, but we also recognise that, in other areas, council tax is lower in Scotland than it is south of the border. We also have a lower poundage for NDR, which means that 95 per cent of our non-domestic properties have a lower tax liability than properties south of the border have.

I agree with Ross Greer entirely that it is important to look at the impact of the net revenue that we are raising and of any behavioural consequences because of the differential between Scotland and another part of the UK.

**Ross Greer:** Finally, I want to go back to the convener's original line of questioning about exemptions from the ADS and LBTT more widely for local authorities and other landlords. During the considerations that you have mentioned in relation to the ADS review, have housing co-operatives been considered as a model of housing ownership that I presume we want to encourage in Scotland but which do not currently have any exemptions or reliefs from either LBTT or the ADS specifically? Have they come under the purview of the ADS review or wider discussions about LBTT policy changes?

**Tom Arthur:** It is something that has been reflected on. I will ask Ewan Cameron-Nielsen to correct me if I am wrong, but I think that housing co-operatives represent a very small part of the Scottish housing sector.

**Ross Greer:** They make up a minuscule part at the moment, but if the Government's policy intent was to increase the proportion of the housing sector that is co-operative, that might be a mechanism through which to do that.

**Tom Arthur:** I will ask Ewan Cameron-Nielsen to come in at this point.

**Ewan Cameron-Nielsen:** Certainly in the call for evidence on the ADS that was issued in late 2021, there were some questions about housing co-operatives, if I recall correctly, and views were

sought on whether there was a case for considering change in relation to that. The Scottish Government has therefore received views and is considering them. However, just to confirm the minister's point, the sector is relatively small but discussions have been held with housing co-operatives.

**Tom Arthur:** As I say, the issue came up during the ADS review and we recognise that. The word that Ross Greer used about the sector was "minuscule", but we will be in a position to set out our response to the ADS review relatively soon.

**Ross Greer:** Thank you. That is all from me, convener.

**John Mason (Glasgow Shettleston) (SNP):** We have covered quite a lot of ground already, but I will just go over one or two points again. To take some figures as an example, if a second home buyer or somebody who intends to buy to let has a budget of, say, £104,000, at present that would be £100,000 for the property and £4,000 for tax. If we put the tax up to 6 per cent, that would mean that that person has only £98,000 to pay for the property and £6,000 for tax, roughly. Therefore, the house price comes down by £2,000 and competitors, such as first-time buyers, will be advantaged because they will have to beat a lower figure to get the property. It seems obvious to me that this will benefit first-time buyers. Is my logic roughly correct?

**Tom Arthur:** I note that, for any home mover who is not subject to the ADS, the nil threshold goes to £145,000. For a first-time buyer, it is up to £175,000. That is where the benefit is conferred.

For clarity, I point out that the rate of the ADS is now 6 per cent. Because of the provisional affirmative procedure, it was effective at 6 per cent from 16 December.

**John Mason:** My example would be better with higher figures at which the tax would come into play but, because I live in a property that is valued at less than £100,000, I tend to think of figures in that direction.

**Tom Arthur:** I add that the ADS does not apply to properties below £40,000. I also advise that there is an excellent suite of LBTT calculators on the Revenue Scotland website.

**John Mason:** The point remains that it is clearly an advantage for first-time buyers if their competitors basically have less money to compete with them.

**Tom Arthur:** Yes. The policy intent is to support first-time buyers. The example that you gave illustrates the impact that the change would have. Somebody who was buying a second property as buy to let at, to use the example that you gave, £100,000 would be liable for the ADS whereas a

first-time buyer or a home mover who is not eligible for the ADS would not be required to pay any LBTT because they are under the threshold. As I said, for first-time buyers, it is up to £175,000.

**John Mason:** I realise that you do not want to stray beyond your remit, but a lot of constituents who are in the private rented sector and definitely do not want to be in it come to me. They are there because it is the last resort for them. They cannot get an RSL house and they cannot afford to buy. Anything that moves the balance a little bit towards the first-time buyer and away from the private rented sector, even if it is only 2 per cent, has to be a good thing for my constituents.

**Tom Arthur:** As members of the committee have recognised, the private rented sector plays an important role in providing flexibility for many people. However, we also recognise that there are many people who are renting who would far prefer to be able to own their own property. That is what the policy is designed to support.

**John Mason:** On another angle, we asked where the money should come from otherwise to make up the difference—I think that it was £34 million—and one or two of the people who responded to us broadly said, “That is nothing to do with us.” How do you respond to somebody like that?

**Tom Arthur:** I recognise that organisations that represent stakeholders have a primary responsibility to advocate for their stakeholders but, in setting budgets, we in Parliament and the Government have a responsibility to look at matters in the round. Although there is a clear policy intent of supporting first-time buyers, there is also a policy intent of generating revenue. We all recognise the significant challenges that public finances face currently and going forward.

I recognise that it is entirely right for organisations that represent particular sectors and groups to advocate on their behalf, but the Government has to consider things in the round and how policies will impact on all sectors and people in Scotland.

**Douglas Lumsden (North East Scotland) (Con):** Minister, I heard what you said about trying to encourage more first-time buyers. Is it your policy intention to try to kill off the private rented sector?

**Tom Arthur:** No.

**Douglas Lumsden:** Do you accept that not everyone wants to or is able to buy, and that not everyone has access to the social rented market?

**Tom Arthur:** Yes. That is the point that I made to Mr Mason. I recognise that the private rented sector plays an important role for many people. We want a range of tenures to be available, but

many individuals face a challenge in buying their first property or in moving from one property to another to reflect a change in circumstances, so the policy intent behind what we do with the ADS is to support first-time buyers.

**Douglas Lumsden:** Would building more houses not be the best way to support first-time buyers? As we have heard from local authorities, the policy change might reduce the amount of investment that they make in housing and make the crisis worse.

**Tom Arthur:** On local authorities, as I touched on earlier, we are giving careful consideration to the issues that have been raised through the ADS review and, as I have conveyed to the committee, I will be in a position to set out our response in several weeks' time.

More broadly, I reiterate my point that there is a role for the private rented sector to play. However, as we have touched on, a number of factors determine the supply of housing. Many of those are microeconomic factors outwith the control of this Parliament or, indeed, any single Government, whether that be as a consequence of the challenges that we face in the supply chain, the inflated costs of raw materials, issues around recruitment and retention in the construction sector, the availability of financial products following the mini-budget or rising interest rates. All those come to bear and have an impact.

It is important to recognise that the role of tax in shaping supply and demand in housing cannot be seen in isolation; it sits in a much broader set of factors. I would suggest that those factors, when combined, are significantly more impactful.

**Douglas Lumsden:** We must look at the factors that we have in front of us today. We are seeing the ADS rise from 4 per cent to 6 per cent, and local authorities are telling us that that will have an impact on their investment. That is a direct consequence of the policy decision that you are taking. Is there nothing that could be put in place to mitigate that for our local councils?

**Tom Arthur:** I am conscious of the committee's considerable interest in this area, and I repeat my strong appreciation of the concerns that local government has expressed. We have given careful consideration to the matter as part of the ADS review, and I will be in a position to set out the Government's response to that in the near future.

**Douglas Lumsden:** Surely you must concede that it would have been better to conclude the review before making such a substantial change to the policy.

**Tom Arthur:** As I mentioned in my answer to Liz Smith, the review was initiated in the early part

of last year. However, given the review's complexity, and in recognition of many of the issues that were raised as part of it, we are giving careful consideration to it. As I said, we will be providing our response to the review shortly. That will cover a number of issues that have been raised and that I know are of concern to members across parties.

**Douglas Lumsden:** Let us move on to a slightly different subject. Two months ago, the University of Glasgow put out a statement that led to the headline:

"Top university tells students to drop out if they can't find themselves somewhere to live".

Will the change make that situation better or worse for the coming year?

**Tom Arthur:** I am not familiar that the statement that the university issued or the broader context, so I cannot comment on that. However, we are talking about a transactional tax that does not impact on existing properties; it is about future acquisitions. Furthermore, as Ewen Cameron-Nielsen set out earlier, there are provisions in place to support the private rented sector when six or more properties are acquired in a single transaction.

**Douglas Lumsden:** Surely you should be aware of the issues that are affecting the housing market right now because of the lack of supply. A housing crisis that has been described as "unprecedented" by letting agents has seen students being unable to find accommodation this year and the university recommending that they drop out if housing cannot be found.

That takes us back to Michelle Thomson's point. Surely a risk assessment should be made on the policy changes that are being introduced, so that we do not damage our university sector by telling students to leave. What impact will that have on the Scottish economy?

**Tom Arthur:** My point, Mr Lumsden, is that I am not responding to comments when I have not had an opportunity to study them in detail and to understand the full context.

The reality is that we face a challenge in housing; that is recognised, and we are taking action across a range of Government areas to tackle it. The challenge and the proximate cause of the challenge are not down to the specific policy decisions of any one Government but are influenced by a series of much broader global factors, not least the global pandemic that we are just coming out of and significant cost inflation as a result of the broader macroeconomic challenges. There is no suite of policies or set of interventions that could address that.

10:30

Our policy around LBTT is demonstrably raising revenue. We have had a buoyant property market in Scotland. We have seen significant revenue raised through LBTT over the past year, above and beyond the corresponding block grant adjustment. The level of transactions and the revenue raised demonstrates to me, and to any fair and impartial observer, that the policy is delivering on its objective to raise revenue. That revenue can be used to support vital public services, including the delivery of homes and the services that communities require.

**Douglas Lumsden:** You are looking at the revenue raised by the tax, but you are not looking at the impacts of the change. People are telling us—all the views are—that it will have an impact on the private rented sector, yet you have made no analysis of the damage to the Scottish economy that that will cause.

**Tom Arthur:** We are seeking to support first-time buyers and other people to be able to buy their own homes.

**Douglas Lumsden:** Minister, if I am a student, I do not want to buy a home. I will only be living there for two years, or perhaps three. What do you say to those students who cannot find a home and have been told to leave their course or perhaps, if they are an international student, to move to England instead, because they cannot find anywhere to rent? What good does that do the Scottish economy?

**Tom Arthur:** It is clear that there will be a number of factors at play; to suggest that the sole factor is a policy decision to increase the ADS from 4 per cent to 6 per cent is not credible. A range of factors impact on the supply of housing and the majority of those, which have the most significant impact, are outwith our collective control.

**Douglas Lumsden:** Minister, I am not saying that it is the sole factor. I was asking whether the policy will make that situation better or worse in the coming year.

**Tom Arthur:** The policy is supporting the raising of vital revenue, which provides a range of services and supports for our communities. That revenue is part of ensuring that Scottish students do not have to rack up £9,000 a year in tuition fees. That is the reality of the decisions that we take to ensure that we can maintain our social contract. We do that by having a progressive tax system. Those progressive values are reflected in what we do in relation to LBTT. That tax is working because it is delivering additional revenue above and beyond the block grant adjustment, which allows us in Scotland to offer a broader range of

services and support than would otherwise be available.

**Douglas Lumsden:** Are you saying that you are going to raise more ADS tax, but you do not care about the damage to the general economy due to students being driven away from Scotland because there is no private rental accommodation?

**Tom Arthur:** Again, Mr Lumsden, you are drawing a direct link between those two things and completely ignoring the broader macroeconomic factors at play.

**Douglas Lumsden:** Have you made a risk assessment of the potential damage to our universities?

**Tom Arthur:** We consider our policy decisions in the round. There are several factors that determine the supply and availability of housing. To suggest that the sole factor will be the ADS is simply not credible.

**Douglas Lumsden:** I did not say that it was the sole factor. Will the policy make the situation better or worse?

**Tom Arthur:** We are seeking to raise revenue and provide support for first-time buyers. There will be different factors that impact the individual decisions that individual landlords take. The ADS may be a factor; it is not for me to comment on that. It is clear that broader macroeconomic factors will have the most impact in determining the supply and availability of housing, as well as the investment decisions that are taken.

**Douglas Lumsden:** I am not getting anywhere on that, so I will ask one further question. You said earlier that you welcomed the views that have been shared with the committee on the change. However, have you not ignored them all?

**Tom Arthur:** Not at all. I have listened carefully and sought to respond to those views in context. I welcome all stakeholders' views, and the time that they take to share them and their expertise with the Parliament. In the Government, we have to take a balanced set of decisions. The consequence of not taking the decision on the ADS would be less revenue at a time when we are facing significant challenges across the public sector. We have to take decisions in the round, which is the approach that we have taken on LBTT, as with all our tax decisions. They are consistent with the policies, principles and objectives that are set out in our framework for tax.

**Douglas Lumsden:** However, nothing from the views that were submitted has changed your mind, so if I represented one of the organisations that submitted views, I would be asking myself, "Why bother?"

**Tom Arthur:** As part of the process of deliberating on public policy, we consider a range of views and opinions from different organisations, which we balance against each other. Particular taxes can have particular impacts on the particular sectors, individuals or organisations that are liable for those taxes; however, the revenues that are raised have an impact on the people who benefit from public services.

Decisions have to be taken in the round. We cannot be in a silo where we just focus on one aspect or implication. The context in which we find ourselves is that there is a cost of living crisis and our public services are facing unprecedented pressure. It is an absolute imperative, and it is our moral responsibility, to ensure that we are properly resourcing our public services. That means taking proportionate, fair and balanced decisions with regard to how we utilise the tax levers that are at our disposal.

**Douglas Lumsden:** You mentioned supporting local services. However, we are actually penalising local authorities—I will not go over that again.

From all the views that have been submitted to the committee, we have heard concerns that the decision would reduce local authorities' investments and drive private individuals out of the market, resulting in a reduction in the number of properties that are available to rent. However, you are ploughing ahead anyway.

**Tom Arthur:** The SFC has forecast that we will continue to see significant revenue being raised by the additional dwelling supplement. Activity in the property market from those who are liable to pay the additional dwelling supplement is forecast to take place next year and in successive years. From 2025-26, there is a forecast for growth in the ADS. The decision to increase the tax must be considered in the broader context of the forecast growth in LBTT overall and the forecast growth in the ADS, specifically, over the five-year period.

**Douglas Lumsden:** I do not dispute that the figures show that there will be an increase in revenue. However, I feel that, as Michelle Thomson said, no assessment has been done of the wider impact that the decision will have on aspects such as universities and the damage that that will cause to our economy. I will leave it there.

**The Convener:** I will follow up on a couple of points. How much of the £34 million will be raised from local authorities?

**Tom Arthur:** I do not have that figure in front of me, but I am happy to come back to the committee on that if there is a means of providing greater detail at a granular level.

**The Convener:** Thank you. That would be very helpful.

What seems to have come out of the discussion is that the additional dwelling supplement appears to be a bit of a blunt instrument, although there are lots of really good aspects to it. John Mason made an interesting point. Raising the additional dwelling supplement to 6 per cent will not just make things more competitive for first-time buyers; it will probably deter a number of people in the buy-to-let sector from entering the market in the first place, which could reduce upward pressure on prices. That could be a significant positive gain from the policy.

The policy might deter people from buying second homes in our rural areas. In relation to some islands in Scotland, the figure is well over 50 per cent. A couple of years ago, I was in Colonsay, where, I think, 108 people live and only two children are in the school, with many of the properties having been bought by retirees who use them as second homes. However, some of the properties are not second homes; some people live in them. I realise that that is a housing issue rather than a finance issue.

The ADS can be a bit of a blunt instrument when it comes to people buying derelict houses or houses that are a wee bit rundown so that they can upgrade and live in them. Further thought should also be given to that. To me, the ADS is too broad an instrument. It has some positive aspects, but there are also negative aspects. In broad terms, it can act as both an incentive and a disincentive in relation to the Government's objectives.

Minister, do you want to add anything before we move on?

**Tom Arthur:** I only want to say that I am very grateful for the committee's scrutiny, as always.

**The Convener:** I understood Douglas Lumsden's frustration when he said that the views submitted will not have an impact on Government policy. When you make decisions in future weeks, months and years, I hope that you will reflect on some of the issues that have been raised, particularly those that relate to local government.

Agenda item 2 is formal consideration of the motion on the instrument. I invite the minister to move motion S6M-07288.

*Motion moved,*

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 2022 (SSI 2022/375) be approved.—[*Tom Arthur*]

**The Convener:** Do members have any further comments?

**Liz Smith:** I understand the point about raising tax revenue. It is incumbent on all parliamentarians to recognise the importance of that. However, the proposed legislation will result in a lot of unintended consequences that have not been thought through. I find that pretty difficult, because such issues are important to the future of Scotland. On that basis, I will abstain on the vote.

**Daniel Johnson:** I will be brief. I broadly agree with the Scottish Government's rationale for the measure. However, reflecting on the discussion that we have had, I think that it is important that we are evidence led and that we undertake specific analysis of the impact and of the broader modelling. We need investment in increasing our housing stock and in improving existing housing stock. Although I do not necessarily agree with all the sentiments that were expressed in the debate, I think that we need to consider these things in the round, and I am not convinced that that has been done, based on the evidence that I have heard. I will support the measure, but I urge the Scottish Government to consider the broader impact so that we improve our housing stock in terms of numbers, quality and affordability.

**John Mason:** When I was younger, it was almost assumed that, if a person had a reasonably decent job, they would try to buy a flat and perhaps then a house. That was quite normal. However, I am afraid that that has changed. There are various reasons for that. As Ross Greer said, one is that people from cities who want to be second-home owners can go to rural areas—for example, those from Glasgow can go to Fife—and outbid local workers who are not on a great salary. In cities, the problem is that young people cannot compete with people who are buying to let, so anything that we can do to redress that balance and help younger people who are struggling to get on to the housing ladder has to be positive. This is only a small change—we are talking about 2 per cent, which is not a big deal in many ways.

**Ross Greer:** The £34 million that will be raised will go towards public services, and we all recognise that that is needed more than ever during a cost of living crisis. We should not lose sight of the fact that the measure will raise a small amount of money during the remainder of this financial year, which will be important in closing a challenging gap in our public finances.

I associate myself with the comments that John Mason just made. Generational inequality is an issue. In the past, a lot of folk who were my age—28—or a little bit older or younger would have been able to own their own home. Previously, that would have been the norm, as John Mason said, but it is not the case for many of my friends from school and those whom I met during my brief time at university. There are a range of reasons for

that, and the imbalance in the housing market, which favours buy-to-let landlords, is one of them. In a small way, this tax change will begin to redress that imbalance.

The change sits alongside other measures, such as the new powers that have been given to local authorities to regulate short-term lets. We need to take a range of other measures. However, as well as the primary consideration, which is raising revenue for public services at a time when we really need it, redressing that imbalance in power and the generational inequality in our housing market is a strong argument in favour of the modest change. We could have gone much further, but the change gets the balance right.

10:45

**The Convener:** I second that. I bought my first flat when I was 21. My children are aged 30, 26 and 24. One still lives at home and two of them rent, because they simply cannot afford the deposit that is required to buy a property, so I sympathise with that viewpoint. That is having huge socioeconomic impacts in Scotland. It affects people's decisions on when to start a family and all the things that follow on from that.

**Douglas Lumsden:** If this was just an increase in tax on second homes or even holiday homes, I would fully support it, but I feel that there is another piece to it—a piece that I spoke about earlier—which relates to students who are trying to rent accommodation. My son has recently been through the experience of trying to rent a flat, and I know how difficult it is for many students. The market has shrunk considerably, and I think that this change will make it even worse. On the sum of £34 million, it is obviously always great to have more revenue go to the Government to spend on local services, but I have real concerns about the unintended consequences and the impact that it will have on the wider Scottish economy.

I was trying to highlight the situation for students. Some have been told to leave their course and go somewhere else. The amount of revenue that international students bring into this country is significant, and if we drive them away to places in England, for example, that will have a much bigger impact than the £34 million that is on the table will have. It seems that there is almost a war on the private rental market in this country. To get more people on to the housing ladder—more first-time buyers—the key is to build more houses. I worry that the measure will have a negative impact on that. I hope that I will be proved wrong, but I have real concerns.

**The Convener:** As there are no further comments, the question is, that motion S6M-07288 be agreed to. Are we agreed?

**Members:** No.

**The Convener:** There will be a division.

**For**

Gibson, Kenneth (Cunninghame North) (SNP)  
Greer, Ross (West Scotland) (Green)  
Johnson, Daniel (Edinburgh Southern) (Lab)  
Mason, John (Glasgow Shettleston) (SNP)  
Thomson, Michelle (Falkirk East) (SNP)

**Abstentions**

Lumsden, Douglas (North East Scotland) (Con)  
Smith, Liz (Mid Scotland and Fife) (Con)

**The Convener:** The result of the division is: For 5, Against 0, Abstentions 2.

*Motion agreed to,*

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 2022 (SSI 2022/375) be approved.

**The Convener:** I thank the minister for his evidence. The committee will publish its report on the SSI in the next few days.

That concludes the public part of today's meeting. The next item on our agenda, which will be discussed in private, is consideration of our work programme.

10:48

*Meeting continued in private until 11:07.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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