

Rettie Land & Buildings Transaction Tax (LBTT) Briefing July 2024

LBTT revenues remain *high* but have levelled off.



Introduction.

As we have passed the close of the financial year, it is time to take our annual delve into the performance of Scotland's **Land & Buildings Transaction Tax (LBTT)**, in order to see how returns and receipts have performed across 2023/24 compared with previous years.

Invariably, property tax is a dry subject, but we have unearthed some interesting nuggets of information in what is one of Scotland's few fully devolved tax raising powers. **Around 65% of sales** are now over the £145,000 threshold, meaning almost two-thirds of Scottish house buyers can expect an LBTT bill. This means that LBTT continues to have a significant effect on the performance of our housing market.

In 2022/23, LBTT revenue reached a record high in Scotland, driven by a relatively strong sales market and rising prices. This revenue has dropped back slightly in 2023/24 but remains close to the levels seen in the previous year, despite the more difficult market conditions. This outperformed official forecasts, which had suggested a 16% fall in receipts.



Key findings.



01. Two-thirds of house sales now pay LBTT

65% of Scottish house sales are now over the minimum £145,000 threshold on which LBTT has to be paid. This represents the highest proportion of transactions since the introduction of the tax in 2015/16, up from the previous high of 63% in 2022/23.



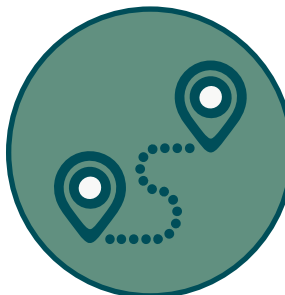
02. Recovery in count of receipts at end of 2023/24

The **count of LBTT receipts year-on-year (YoY) picked up at the end of 2023/24**, after running behind for most of the financial year. This indicates that a slow market recovery is beginning to take root.



03. ADS revenue is climbing

Revenue generated by the **Additional Dwelling Supplement (ADS)** on second homes (including buy to let purchases) now **accounts for 36% of residential LBTT revenue**. This equals the previous high seen in August 2020.



04. Geography lessons

The Edinburgh market remains the major source of LBTT revenue. Six of the top ten postcode districts for LBTT revenue generation are located in Edinburgh. Glasgow provides the next three districts. St Andrews accounts for the final place in the top 10.

“Residential LBTT revenues in Scotland levelled off in the most recent financial year, helped by rising levels of ADS, as the Scottish housing market has been relatively stagnant in the last year due to a backdrop of higher interest rates and flat economic growth. Prime sales continue to drive revenues, with sales over £750,000 accounting for 23% of revenues despite only accounting for fewer than 2% of residential sales.”

Dr John Boyle, Director of Research & Strategy, Rettie

Key findings *explored.*

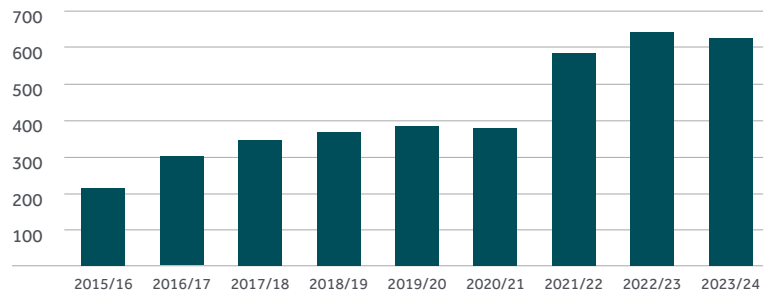
01. Two-thirds of house sales now pay LBTT

Residential LBTT revenues decreased slightly in 2023/24 compared with the previous year.

When LBTT was introduced in 2015/16, over 50% of transactions fell under the £145,000 threshold. However, as house prices have risen, only **35%** of sales are now under this threshold.

Rising house prices and a lack of any adjustments to the tax bands have dragged more buyers above the various tax thresholds.

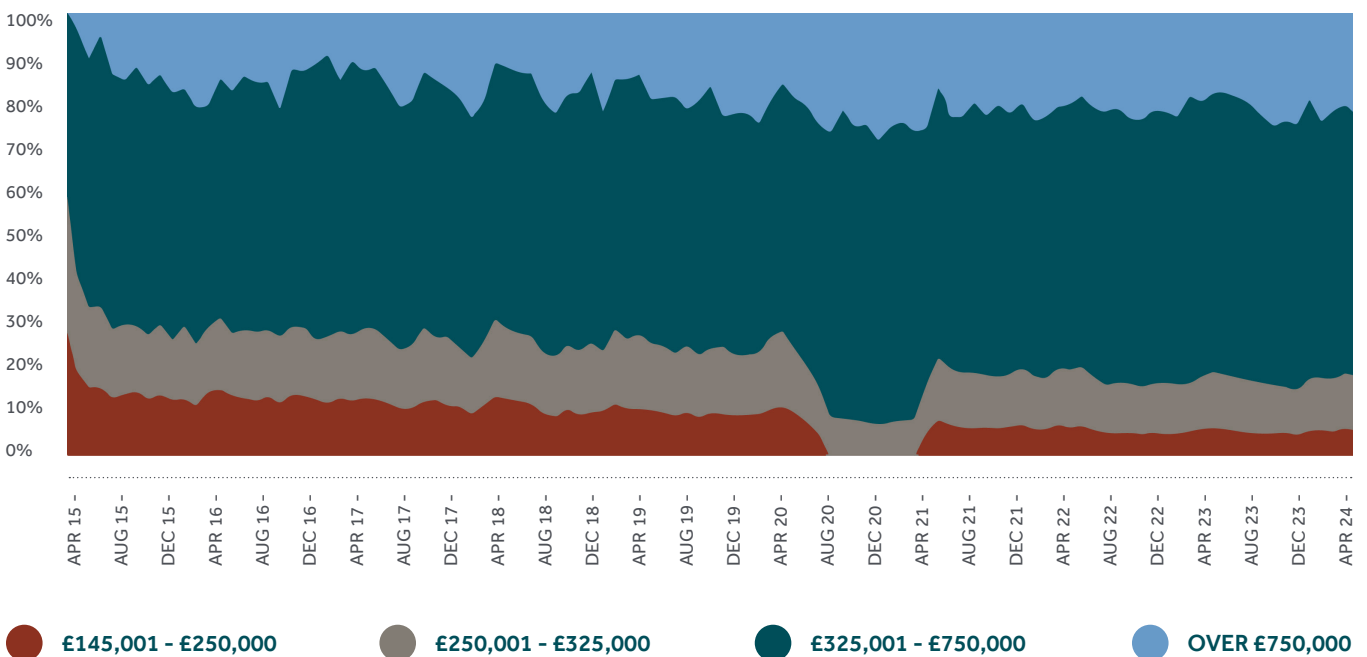
Total Residential LBTT Revenue in Scotland, 2015/16 – 2023/24 (£ millions).



Source: Revenue Scotland

In 2023/24, a third of sales were **above the £250,000 band**, up from 16% when the tax was first introduced. This 'fiscal drag' means that **around 95%** of LBTT revenue now comes from house sales over £250,000 and **23%** from transactions over £750,000.

Proportion of Residential LBTT Revenue by House Price Bracket.



Source: Revenue Scotland

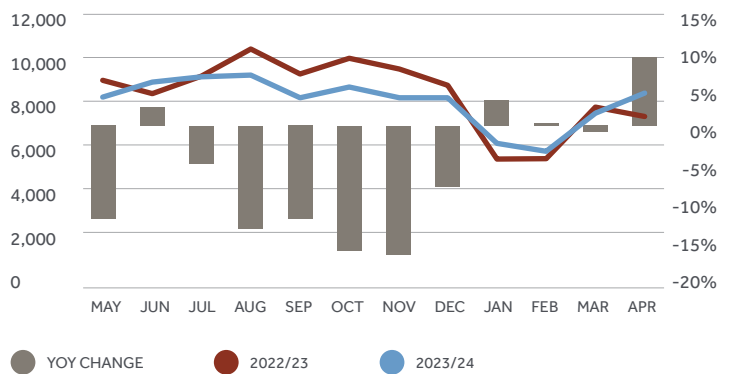
Key findings *explored.*

02. Recovery in count of receipts at end of 2023/24

While the count of LBTT receipts dropped back YoY in the final months of 2023, activity picked up slightly at the start of 2024, with the count in April 2024 up 10% on April 2023.

This trend has continued into May 2024, with the count up 7% on May 2023, indicating a slow housing market recovery.

Count of LBTT Receipts by Month in Scotland and YoY Change, 2022/23 vs. 2023/24.



Source: Revenue Scotland



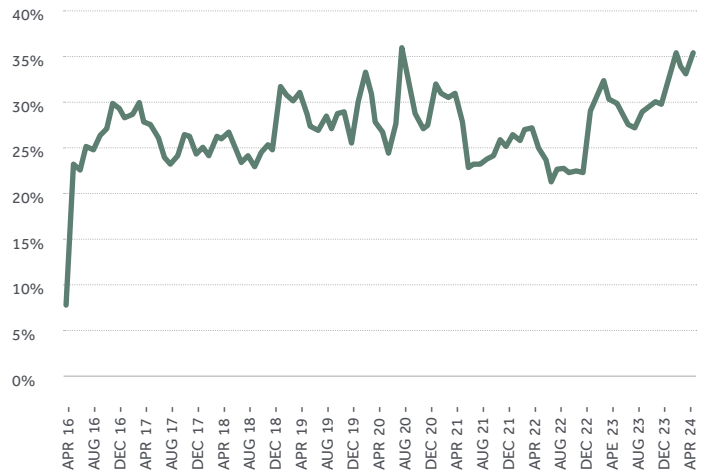
Key findings *explored.*

03. ADS revenue is climbing

Residential LBTT revenue has fluctuated in recent years due to fluctuations in the housing market. However, since ADS was raised from 4% to 6% for second home transactions (taking place after 16th December 2022), the revenue generated by ADS has noticeably increased.

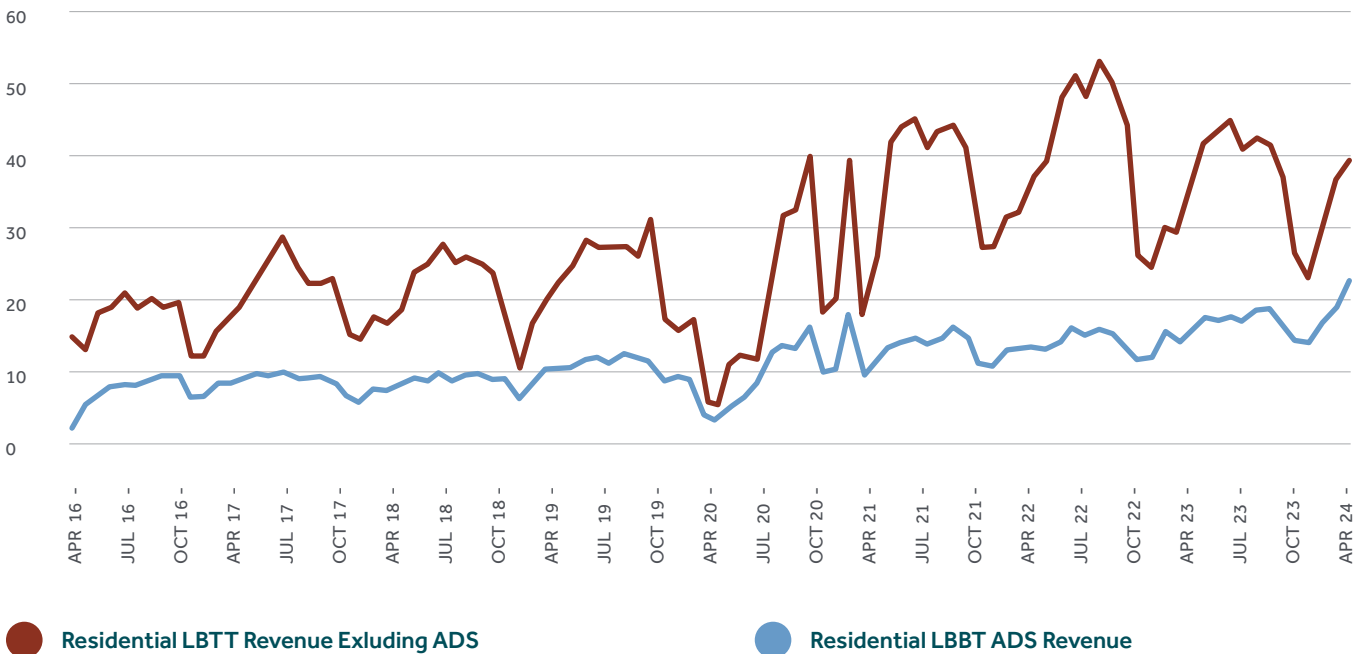
ADS is now accounting for around 36% of residential LBTT revenue, which is a record high. This percentage has slowly risen over 2023/24. Overall, ADS revenue has been on a consistent rising trend in the last two years.

ADS as a Percentage of Residential LBTT Revenue, 2016 – 2024.



Source: Revenue Scotland

Residential LBTT and ADS revenues, 2016 – 2024.



Source: Revenue Scotland

Key findings *explored.*

04. Geography lessons

Analysis of residential LBTT revenues by geography highlights some interesting trends across the country. In 2023/24, six of the top ten revenue generating postcodes were in Edinburgh, while three were in Glasgow. KY16, which includes St Andrews, is the only postcode district outside of the two major cities within the top ten.

Total residential LBTT revenue from the capital is estimated to be **over £109 million** in 2023/24 compared to the next highest area, **Glasgow, which generated c.£47 million.**

EH10 (including Morningside) was the top revenue generating postcode area in Scotland.

The other postcodes that generated the most revenue in 2023/24 were EH4 (including Barnton and Cramond), EH3 (including the Edinburgh New Town), EH12 (including Murrayfield) and G77 (including Newton Mearns).

The highest average LBTT bill by area was EH31 in East Lothian (including Gullane) at just under £31,000. This was followed by KY9 in Fife (including Elie) at £29,500 and EH1 in Central Edinburgh at £23,750.

Top 10 Residential LBTT Revenue Generating Postcodes in 2023/24.

Postcode	Av. Sales Price	Est. Av. LBTT	Est. LBTT 2023/24
EH10	£498,697	£23,220	£12,840,494.10
EH4	£382,956	£11,646	£11,657,245.60
EH3	£472,191	£20,569	£11,333,574.10
EH12	£379,455	£11,296	£10,369,269.00
G77	£408,754	£14,225	£7,368,757.20
G12	£390,006	£12,351	£7,076,893.80
G61	£426,811	£16,031	£7,037,652.90
EH9	£463,094	£19,659	£6,684,196.00
KY16	£433,281	£16,678	£6,437,746.60
EH39	£502,254	£23,575	£3,772,064.00

Source: LBTT Calculated on Registered Sales May 2023 to End of April 2024

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