A Review of Land and Building Transactions Tax

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Contents

Executive Summary

Purpose and scope

Land and Buildings Transaction Tax (LBTT) is a property transaction tax applied to chargeable land transactions in Scotland. It operates on a generally progressive basis, with different rate bands depending on the value of the transaction. The rates, thresholds, and rules vary for residential, non-residential, and mixed-use properties. A series of LBTT reliefs, providing whole or partial relief from the tax, is available. These include, for example, the multiple dwellings relief (MDR), the 6+ dwellings Additional Dwelling Supplement (ADS) exemption and first-time buyer relief.

LBTT was designed to be a fairer and more progressive alternative to the Stamp Duty Land Tax (SDLT), featuring graduated rates that provide greater benefits to lower-value transactions[1]. Its key objectives include raising revenue for public services and providing scope for positively influencing property market activity. The legislation also seeks to simplify administration, prevent tax avoidance, and ensure closer alignment with Scotland's legal framework.

This review assesses whether five areas of LBTT are achieving their intended policy objectives and how they interact: (i) treatment of non-residential and mixed-use property, (ii) MDR, (iii) 6+ dwellings ADS exemption, (iv) first-time buyer relief, and (v) alignment with Scotland's Just Transition and Net Zero goals.

Approach and methods

The review drew on a wide range of sources, including official data, academic and policy literature, input from taxpayers and other stakeholders, and diverse forms of qualitative and quantitative analysis. Our approach was structured around three key strands:

1. A comprehensive desk-based review incorporating qualitative assessment of LBTT in relation to its theoretical foundations and objectives, comparative analysis with equivalent legislation in England and Northern Ireland and in Wales, and quantitative analysis of transaction volumes, tax revenues, and the impacts of specific reliefs.
2. Engagement with taxpayers and the property sector through semi-structured interviews with large landlords, commercial organisations, and climate change experts, alongside online surveys of prospective first-time buyers, recent first-time buyers, and individual investors.
3. Synthesis of all evidence gathered to develop policy recommendations in collaboration with a legal expert.

Literature review

The review of the literature surrounding LBTT highlighted the positives of the current LBTT's progressive structure and the ability to target reliefs at specific market goals, such as first-time buyers and large-scale investment. LBTT faces specific criticisms around its complexity, market impacts, revenue volatility, and potential barriers to first-time buyers. Property transaction taxes, more generally, are also criticised by economists as economically distortionary, reducing market mobility and housing transactions. Supplemental charges on additional properties, such as the ADS, have also been criticised for reducing rental supply and contributing to higher rents, as landlords pass on these additional costs.

[1] Note that although SDLT initially operated under a slab-based system, it shifted to a slice-based structure prior to the introduction of LBTT.

Non-residential and mixed-use treatment

Under LBTT, a separate tax structure applies to non-residential property or properties with both residential and non-residential elements, distinguishing them from fully residential transactions. Non-residential tax rates are generally lower than those applied to residential property. This aims to increase competitiveness and attractiveness for business investment in Scotland and ensure that smaller businesses pay lower LBTT rates. England and Northern Ireland's SDLT and Wales's Land Transaction Tax (LTT) take a broadly similar approach to commercial and mixed-use property as Scotland's LBTT, though differences remain in the specific rates and band thresholds.

Our analysis indicates that revenues from residential property transactions have consistently exceeded those from non-residential transactions[2]. Furthermore, a considerably higher proportion of LBTT relief claims arises from residential property transactions than non-residential ones, although the value of revenue forgone due to reliefs has been much greater in the non-residential sector. Despite the relatively more favourable treatment of non-residential transactions, residential property transactions became relatively more common in Scotland following the introduction of LBTT.

Stakeholder engagement found that most investors and landlords did not believe LBTT rate differences strongly influenced their investment behaviour, with only a small number of landlords or investors who had used or were aware of the mixed property rule. This awareness was particularly limited among smaller investors, but those familiar felt it simplified transactions involving mixed-use properties and supported Scotland's competitiveness. Legal professionals highlighted significant ambiguity in property classification and inconsistencies in available guidance, calling for clearer, more detailed support and alignment with HMRC standards. Support was expressed across groups for an apportionment approach, taxing each property type at its corresponding rate, despite some concerns over potential valuation challenges.

MDR

The MDR is a partial LBTT relief available when a buyer acquires more than one dwelling in a single transaction or a series of linked transactions. This aims to support buy-to-let investors and large-scale residential property purchases by ensuring that a single transaction involving multiple dwellings is not taxed at a high tax band when the same dwellings purchased individually would have attracted a charge at lower tax bands. While Scotland retained its MDR as originally envisioned, England and Northern Ireland abolished their equivalent MDR under SDLT due to significant abuse. Wales continues to offer an MDR but has tightened the circumstances under which it can be claimed.

Our analysis found that the MDR accounted for 7-15% of total foregone revenue in the last ten years and 1-3% of total LBTT revenue. Compared with the 6+ dwellings ADS exemption and the first-time buyer relief, it accounted for the largest share of LBTT revenues forgone, although the gap between the three has narrowed recently.

Our stakeholder engagement showed that awareness and use of MDR are concentrated among larger landlords, developers, and institutional investors. Smaller landlords and individual investors generally reported that MDR has little influence on their investment decisions, as they generally purchase single properties or are ineligible to claim. Stakeholders who use MDR felt it fulfilled its purpose by smoothing tax liabilities, but viewed it more as removing a tax disincentive than providing an active investment incentive, with other polices having a more significant impact on investment decisions. While some noted the relief's complexity, misuse in Scotland is minimal. Most stakeholders opposed its removal,

[2] Note that this pattern, where revenues from residential returns have exceeded those from non-residential returns, was also evident prior to the introduction of LBTT.

arguing it supports development viability and maintains Scotland's competitiveness. Some suggested reforming MDR to better incentivise large-scale housing delivery.

ADS and 6+ dwellings exemption

ADS is a supplemental tax charge on purchases of additional residential properties, payable on top of the standard LBTT, intended to reduce competition for first-time buyers by making second and subsequent home purchases more expensive. The ADS exemption for six or more dwellings applies to transactions involving six or more residential properties, meaning that such transactions are not subject to the ADS[3]. This aims to promote large-scale rental housing provision and avoid deterring institutional investment in build-to-rent developments.

The current 8% ADS makes Scotland's additional charge the highest in the UK as of 2025. The equivalent SDLT higher rates for additional dwellings in England and Northern Ireland are currently five percentage points above standard residential rates, as are Wales's higher LTT rates for purchases of additional property. Like LBTT, both SDLT and LTT treat acquisitions of six or more dwellings as non-residential transactions, thereby granting relief from the additional homes SDLT and LTT higher rates.

Analysis indicated that net ADS revenue has increased over time, rising from 17% to 22% of total LBTT receipts over the period between 2016/17 and 2024/25. This is at least partly due to the rise in the ADS rate. The percentage of residential claims, including ADS, has been more stable, ranging from 17% and 20% over the period. Both the number of returns claiming ADS-linked reliefs and the value of revenue forgone have steadily increased over recent years. The share of overall forgone revenue reached 23% of the total in 2024/25. The 6+ dwellings ADS exemption accounted for 3-7% of total foregone revenue since 2018/19, which is similar to that of first-time buyer relief, at around half the value of MDR.

Stakeholder engagement found the ADS is unpopular, especially among landlords and small investors, who see it as a major barrier to market entry and investment, contributing to reduced housing supply and higher rents. The 6+ dwellings ADS exemption was viewed as effective in enabling large-scale investment but criticised for disproportionately benefitting institutional investors over smaller landlords, with concerns about market concentration and inequality. Some highlighted that this could slow small development activity and create threshold effects, with landlords seeking to meet exemptions by altering purchase behaviour. Views on reform were mixed. Some supported lowering the exemption threshold to broaden access for smaller landlords, while large investors suggested raising it to better target institutional-scale development. Others proposed exempting long-term rental properties or introducing time-limited ADS holidays to stimulate activity, but cautioned that complementary support for first-time buyers would be needed.

First-time buyer relief

The first-time buyers' relief aims to help first-time buyers enter the property market by exempting the first £175,000 of the purchase price from LBTT. Compared to LBTT, SDLT appears to be more generous in its first-time buyer relief in that it exempts the first £300,000 of the price, provided the total purchase price does not exceed £500,000. However, LBTT's more progressive overall rate structure lends additional, albeit less targeted, support to Scotland's first-time buyers beyond its first-time buyer relief. Wales, in contrast, does not have a first-time buyer relief.

The first-time buyer relief accounted for 1-7% of total foregone revenue since 2018/19. Compared with the 6+ dwellings ADS exemption and the MDR, it accounted for the smallest share of LBTT revenues

[3] Under LBTT legislation, transactions comprising six or more residential properties are also treated as non-residential for tax purposes, enabling them to benefit from the lower non-residential LBTT rates.

forgone, although the gap between the three has narrowed recently. Our impact analysis did not provide evidence of the introduction of the first-time buyer relief influencing first-time property purchases in Scotland, with the increase in such transactions reflecting a continuation of pre-existing upward trends.

Stakeholders generally viewed first-time buyer relief as helpful, providing modest but meaningful assistance for those facing deposit and affordability challenges. However, many perceived its influence on purchase decisions as limited, describing the relief as largely symbolic due to complex eligibility and the small maximum saving. Most agreed the £175,000 threshold is outdated, given rising house prices, and advocated for an increase or regional variation to better reflect market conditions. Survey findings showed relatively low awareness of the relief, with the idea of financial support appealing most to prospective buyers. While nearly half of recent buyers reported claiming the relief, many said it made little difference to their decision or felt the benefit was minor compared to overall costs. Views on imposing a cap for relief eligibility were mixed; some considered it fair to prevent high-value claims, while others cited regional price variation and the limited number of qualifying transactions as reasons against a cap. Overall, the relief was seen as a positive, if limited, measure supporting first-time buyers.

Alignment with Net Zero and Just Transition

Scotland has committed to achieving Net Zero greenhouse gas emissions by 2045 and ensuring a “Just Transition,” such that the move to a green economy is fair and equitable, distributing costs and benefits in a way that does not exacerbate social inequalities. While LBTT, along with SDLT and LTT, does not currently explicitly support these goals, this review explored stakeholder perspectives on how LBTT could be better aligned with Net Zero and Just Transition objectives.

Stakeholders strongly supported improving Scottish housing energy performance to achieve Net Zero, but were divided over whether LBTT is an effective tool for this purpose. Supporters proposed linking LBTT rates to EPC ratings or offering rebates for post-purchase energy upgrades, believing this could incentivise retrofitting, support local jobs, and promote a fair Just Transition. Others warned of potential unintended consequences, including disadvantaging older buildings, distorting the housing market, and adding complexity to the tax system. Many doubted that LBTT incentives would significantly change behaviour and raised concerns about the reliability of EPC ratings or the suitability of the tax for environmental goals. Alternative suggestions included grants, VAT reductions on green improvements, and existing retrofit schemes, which were seen as more direct and effective.

Conclusions and policy recommendations

This review finds that the LBTT largely functions as intended, providing progressive taxation of property transactions while offering targeted reliefs to support policy objectives. However, questions remain about the effectiveness of certain reliefs in achieving their stated aims, the appropriateness of differential treatment across transaction types, and the potential for LBTT to contribute to broader environmental and social policy goals.

The review makes six policy recommendations, accounting for trade-offs and tensions inherent to pursuing multiple objectives within a single tax framework:

Maintain the mixed property rule with targeted research on apportionment

Evidence does not support immediate modification, but research should examine the feasibility and implications of apportionment approaches, including administrative burden, avoidance risks, and revenue implications.

Retain the MDR in its current form

The relief ensures multiple dwelling transactions are not taxed at inappropriately high bands and supports buy-to-let investors and large-scale purchases. Revenue Scotland should continue monitoring for avoidance activity.

Conduct research into how the ADS could more effectively target second home ownership whilst mitigating negative impacts on the private rented sector

One option is for the ADS to offer an exemption or lower rate for properties intended for long-term rentals.

Maintain the 6+ dwellings ADS exemption threshold, but review periodically

The current threshold balances support for institutional investment with revenue generation objectives, though concerns about potential concentration of property ownership warrant ongoing monitoring.

Review the fiscal implications of increasing the threshold for first-time buyer relief and setting it on a regional basis

The relief is "withering on the vine" through fiscal drag. Regional variation in house prices means the relief is more effective in some areas than others, suggesting different thresholds for different local authority areas could be explored.

Explore alternatives to LBTT for incentivising a Just Transition to Net Zero

LBTT is a transaction tax affecting people at the point of property purchase – an infrequent event. More effective mechanisms include grants, loans, building regulations, and sector-specific requirements that provide regular, ongoing incentives for energy efficiency.

Introduction

- This review assesses whether five areas of Land and Buildings Transaction Tax (LBTT) are achieving their intended policy objectives and how they interact: (i) treatment of non-residential and mixed-use property, (ii) multiple dwellings relief (MDR), (iii) 6+ dwellings Additional Dwelling Supplement (ADS) exemption, (iv) first-time buyer relief, and (v) alignment with Scotland's Just Transition and Net Zero goals.
- Methods combine desk-based analysis of legislation and data with stakeholder engagement and structured synthesis to ensure an objective, balanced assessment.

Land and Buildings Transaction Tax (LBTT) is a property tax charged on the purchase of land or property above a certain value in Scotland. Introduced as part of Scotland's devolved tax system, LBTT applies differently depending on the type of property and the buyer's circumstances. This review was commissioned by the Scottish Government to assess whether specific areas of LBTT have met their intended policy objectives and consider if any are generating adverse effects. The project involved examining five specific aspects of LBTT: (i) the treatment of residential and non-residential, including mixed-use, conveyances; (ii) the multiple dwellings relief (MDR); (iii) the 6+ dwellings Additional Dwelling Supplement (ADS) exemption; and (iv) the first-time buyer relief; and (v) how LBTT aligns with Just Transition and Net Zero goals. We also examined the ADS, given its importance in the context of the wider LBTT and the 6+ dwellings exemption in particular.

A key aspect of our methodology was its reliance on a wide range of sources, including official data, literature, input from taxpayers and other stakeholders, and diverse forms of analysis, both qualitative and quantitative. Where this report references guidance published by Revenue Scotland, readers should note that this is provided solely for context. As set out in section 7 of the Revenue Scotland and Tax Powers Act 2014, Revenue Scotland is independent of the Scottish Ministers, who determine LBTT policy. Revenue Scotland's published guidance represents its own interpretation of the underlying legislation but generally has no legal status, and should not be viewed as legal advice. Readers of this report should also refer to the relevant legislation.

Our approach was structured around three key strands:

1. **Desk-based review:** This strand of the review consisted of a comprehensive desk-based review incorporating both qualitative and quantitative analysis. The qualitative component assessed LBTT in relation to its theoretical foundations and objectives, drawing on insights from the literature and comparative analysis with equivalent legislation in England, Northern Ireland, and Wales. The quantitative component assessed the scale of transactions and associated tax revenues and examined the impacts of LBTT's first-time buyer relief and non-residential treatment.
2. **Engagement with taxpayers and the property sector:** We used two modes of engagement – semi-structured interviews and an online survey. The interviews were conducted with large landlords, commercial organisations, and other key stakeholders, such as climate change experts. The online survey component was targeted at three distinct groups: (i) prospective first-time buyers, (ii) recent first-time buyers, and (iii) individual investors.
3. **Synthesis and policy recommendations:** Following the stakeholder engagements, we synthesised all evidence gathered to develop policy recommendations. These were developed in collaboration with legal expert Graeme Keay, who has extensive experience in legislative drafting and supporting the design and implementation of tax policy reforms.

Overview of LBTT

- LBTT is a property transaction tax payable to Revenue Scotland on chargeable land transactions in Scotland; buyers must submit a land transaction return and pay LBTT where due.
- The rate of LBTT on a property depends on its value, with higher-value properties subject to higher tax rates. The applicable rates, bands, and rules also vary depending on whether the transaction is residential, non-residential, or mixed-use.
- A series of LBTT reliefs and exemptions, providing whole or partial relief from the tax, are available. These include, for example, the MDR, 6+ dwellings ADS exemption and first-time buyer relief.

LBTT is Scotland's devolved tax on land transactions. A "land transaction" is defined as the acquisition of a "chargeable interest" in land, referring to a real right (i.e., which is enforceable against everyone) or other interest in or over land in Scotland (Land and Buildings Transaction Tax (Scotland) Act 2013, ss 3-4). Land transactions in Scotland must be notified to Revenue Scotland with a land transaction return and any tax due unless the "chargeable consideration" (defined as anything given in money or money's worth for the subject-matter of the transaction) is less than £40,000 or the transaction is otherwise exempt (Land and Buildings Transaction Tax (Scotland) Act 2013, ss 29-30). The process by which LBTT operates is summarised in the flowchart below.

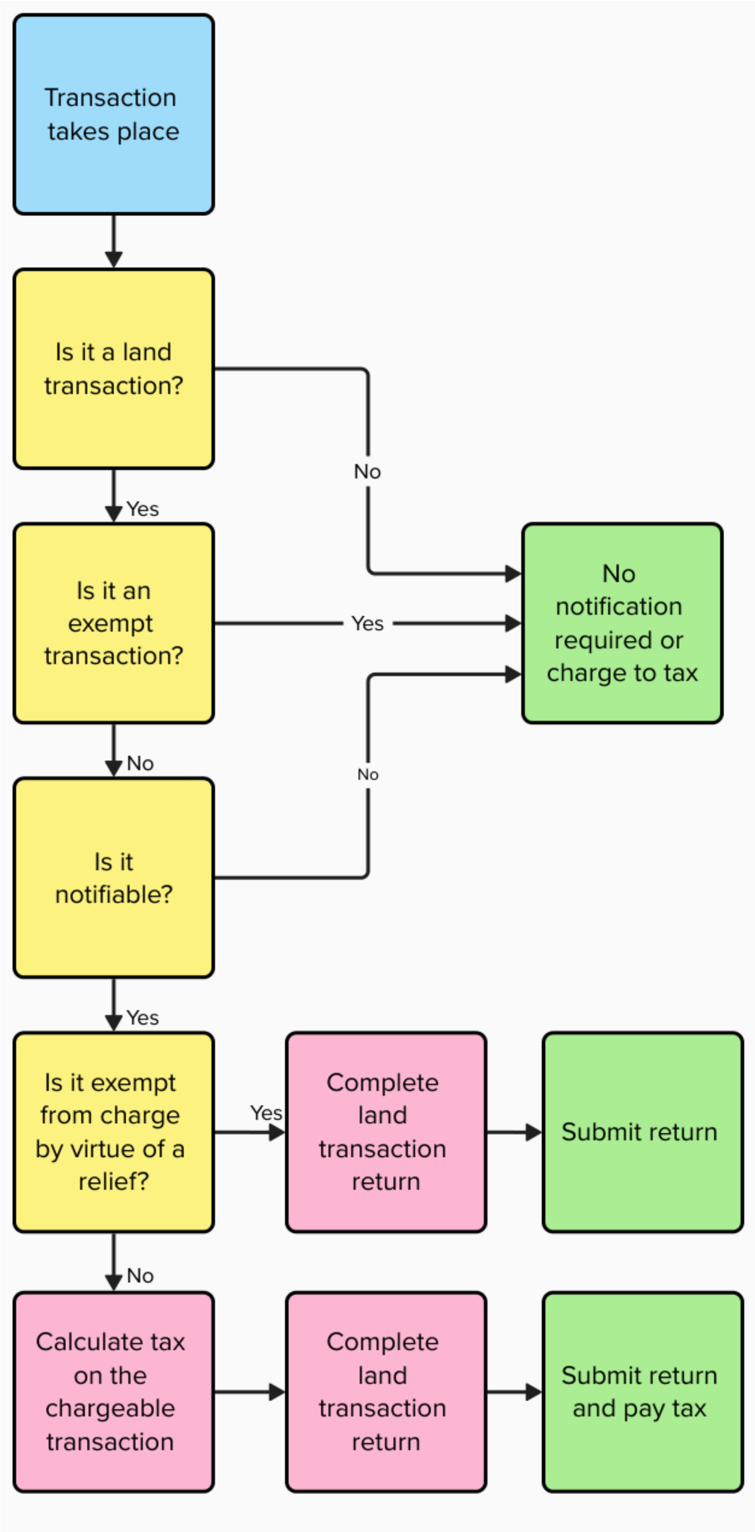
LBTT provides for separate residential and non-residential regimes. Residential liabilities are calculated on a progressive basis according to the chargeable consideration, with a nil rate charged on purchase prices up to £145,000. Non-residential transactions have their own rates, bands, and rules (The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015). LBTT rates and bands are set by secondary legislation and have been amended periodically since LBTT came into force.

A series of LBTT reliefs, providing whole or partial relief from the tax, is available. These include:

- **Multiple dwellings relief** (MDR), which applies when a buyer acquires more than one dwelling in a single transaction or a series of linked transactions. LBTT is then computed using the average consideration per dwelling (subject to a minimum prescribed amount), which can reduce the overall liability. Note that the MDR does not displace the Additional Dwelling Supplement (ADS)[4]. Where the ADS is applicable, it is added for each relevant dwelling within the MDR calculation (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 5).
- The **6+ dwellings ADS exemption**, whereby if six or more dwellings are purchased in a single transaction, the purchase is treated as non-residential for LBTT purposes and fully exempted from the ADS (Land and Buildings Transaction Tax (Scotland) Act 2013, s 59 and Sch 2A).
- **First-time buyer relief**, under which first-time buyers purchasing their main residence can benefit from a higher nil-rate band of £175,000, increased from £145,000 (The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018).

[4] The ADS is a charge paid in addition to LBTT when someone who already owns a residential property purchases another one without replacing their only or main residence. It is not applied to non-residential transactions; however, it can apply to the residential portion of mixed property transactions (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 2A). The ADS rate has increased gradually from 3% of the purchase price of the additional property in 2019 to 8% as of 2025 (IFS, 2025). The successive increases have been justified on the basis of "protect[ing] opportunities for first-time buyers in Scotland, reinforcing the progressive approach in place for LBTT rates and bands" (Scottish Government, 2018b; Scottish Government, 2022b; Scottish Government, 2024a).

Figure 1. Flowchart of LBTT operation



Source: Adapted from Scottish Government (2013a).

Policy Rationale and Objectives

- LBTT was designed to be fairer and more progressive than SDLT, with graduated rates benefiting lower-value transactions.
- Key objectives include scope to influence economic activity and achieve desired behavioural outcomes through tax policy.
- The tax aims for simpler administration and better alignment with Scottish legislation and the legal system.
- Prevention of tax avoidance is a core design principle, with General Anti-Avoidance Rule provisions included.

LBTT was introduced in Scotland on 1st April 2015 as a fully devolved replacement to Stamp Duty Land Tax (SDLT). This followed the Scotland Act 2012, which granted the Scottish Parliament power to legislate for a tax on land transactions in Scotland. A comprehensive timeline of primary and secondary legislation relating to LBTT is provided in below.

The overarching aim, as per the 2012 consultation report for LBTT, was to establish Scotland's own tax system for property transactions, managed in Scotland's interests and aligned with Scots law and institutions. This was echoed in Stage 1 of the bill's legislative process by then Finance Secretary John Swinney, who additionally noted that LBTT seeks to simplify the content and structure of the law, recognising that the SLDT suffers from many added layers of legislation (Scottish Parliament, 2013). Moreover, SDLT is premised on property law principles applicable in England and the UK and, to the extent of substantive differences between England and Scotland, SDLT, at least for some aspects, has struggled to fully address the different underlying property law principles.

As the first new exclusively Scottish tax in over 300 years, LBTT was seen as an opportunity to design a tax better suited to Scotland's economy and values, reflecting a "Scottish approach to taxation" founded on principles of certainty, convenience, efficiency, and proportionality to the ability to pay (see box below) (Scottish Parliament, 2013; Revenue Scotland, 2020).

Box 1 Adam Smith's principles of taxation

The Scottish Government's approach to taxation is grounded in four principles first espoused by Adam Smith in *The Wealth of Nations*:

1. "Certain: The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person."
2. "Convenient: Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay."
3. "Efficient: Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state."
4. "Proportionate to the taxpayer's ability to pay: The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities."

Source: Revenue Scotland (2020)

In addition to the four principles outlined above, Scottish Government (2021b) also added two further principles of good tax policy-making: (i) Engagement - "People and businesses should be able to understand the tax system" and (ii) Effectiveness - "Design of the tax system should focus on ensuring taxes raise the expected revenues and achieve their intended aims."

The rationale for a tax specifically on land transactions in Scotland was set out in the 2012 consultation report for LBTT. Namely, it serves to (i) raise revenue for public services by levying tax on those purchasing property or entering into leases of significant value, and (ii) provide scope for positively influencing activity in the residential and non-residential property markets.

A further intention of LBTT, as expressed in the Scottish Parliament, was to prevent tax avoidance and, in particular, not inherit the same loopholes as SDLT, which enable avoidance activity. For example, a decision was taken to introduce LBTT without sub-sale[5] rules, in recognition of the role played by sub-sales under SDLT in constructing land transactions in such a way that no tax is paid (Scottish Parliament, 2013).

Based on the 2012 consultation report, the original objectives of LBTT at the time of its introduction can be summarised as:

1. To raise revenue through a fairer and more progressive tax
2. To provide scope for positively influencing activity in the residential and non-residential property markets
3. To simplify the content and structure of the law governing the taxation of land transactions and bring it into alignment with Scots law and practices
4. To prevent tax avoidance and protect public revenues

A fairer and more progressive tax

LBTT's objective to raise revenue for public services from those able to afford land and property purchases is widely shared by land transaction taxes, including SDLT. However, LBTT's design sought to make the distribution of the tax burden fairer and more progressive compared to SDLT's "slab" structure. Under SDLT, a single rate was applied to the entire purchase price once a threshold was crossed, causing sharp increases in tax liability at price cut-offs and distortions in market prices. As evident from the Official Report of the Scottish Parliament's meeting on 25th April 2013, Scottish Ministers viewed SDLT's slab system as inequitable and economically inefficient. LBTT was therefore deliberately structured as a progressive tax: different rates apply only to the portion of the price within each band, rather than one rate on the full price. Ministers stated that the intention was for the tax paid to be proportionate to the taxpayer's ability to pay, adhering to the principle that those with higher-value properties, and who accordingly have a higher ability to pay, should pay more tax in relative terms. This progressive rate structure was expected to eliminate the abrupt jumps in tax that distorted pricing under SDLT, reducing artificial bunching of sales just below the thresholds previously applying under SDLT. While some concerns were raised at Stage 1 of the bill's legislative process that the progressive structure could have an undue negative impact on high-value transactions liable to the top LBTT rate, the principle of aligning burden with ability to pay received broad support across stakeholder groups and political parties in Scotland (Strohm, 2014; Scottish Parliament, 2013)[6].

[5] An arrangement in which a first-buyer contracts to acquire land or buildings from a seller and, under a separate contract, agrees to sell all or part of that acquisition to a second buyer (Scottish Government, 2015a).

[6] It should be noted that all three UK property transaction taxes are now calculated using a "slice" system, where each tax rate applies only to

Scope for influencing economic activity

Beyond revenue and fairness, LBTT's policy rationale included using the tax as a lever to influence the property market in socially desirable ways. This relies on a premise that transaction taxes can affect buyer behaviour – a widely accepted view in economics literature. A prominent example of where the Scottish Government sought to influence market activity through LBTT was in relation to the impact of SDLT's slab structure on buyer behaviour (e.g. artificial bunching beneath thresholds), which was repeatedly characterised as distortionary. Notably, the then Finance Secretary claimed that "LBTT will solve this in Scotland at a stroke, by substituting a progressive structure where only the amount above the threshold will incur tax at the higher rate" (Strutt and Park, 2013). A further example was LBTT's envisioned role in stimulating activity among first-time buyers and those at the lower end of the housing market. The Finance Secretary acknowledged a key objective for LBTT to "make sure that first-time buyers have the greatest possible chance to enter the housing market" (Law Society of Scotland, 2016). Moreover, the initial LBTT rates were set so that a buyer purchasing an average-priced home in Scotland (£162,000 at the time) would either pay less tax or be exempt, due to a higher zero-tax threshold (set at £135,000 in the draft proposal, later raised to £145,000). This was expected to boost confidence and liquidity at the lower end of the market (Macnab and Peterkin, 2014).

A simpler and better-aligned tax law

Beyond its economic aims, LBTT was deliberately designed to simplify and modernise the legal and administrative framework under which land transactions in Scotland are taxed. The Scottish Government also sought to align LBTT more closely with Scots property law and conveyancing practice than SDLT. One notable instance is the LBTT leases regime: under Scots law, a lease is a contractual arrangement (not an estate in land as in England), which means leases can be more flexibly varied or extended. SDLT rules, built around English law, struggled with such variations and extensions. LBTT remedied this by introducing a system of three-yearly lease reviews and treating lease variations and extensions as continuations subject to the regular review rather than a new lease (Brodies, 2025). A further example, as noted by the then Head of Tax Policy at Revenue Scotland, was that "Scottish Ministers were keen to associate the return and payment of the tax, and registration of title, more closely." Under the LBTT regime, an electronic tax return must be submitted, and payment (or arrangements for payment) made before an application for title registration can be submitted. By aligning with Scotland's existing land registration system, this reform was seen as making the tax more efficient and easier to collect (Carvel, 2014).

Prevention of tax avoidance

A driver of LBTT's design was a robust stance against tax avoidance, with the Scottish Government viewing it as an opportunity to eliminate past avoidance practices, and the then Finance Secretary, John Sweeney, noting that they "do not intend to replicate in taxes that are devolved to Scotland rules and reliefs that have led to avoidance activity." Crucially, the LBTT framework was accompanied by a Scottish General Anti-Avoidance Rule (GAAR) – a more stringent measure than the UK-wide GAAR in

the portion of the price within its band and the tax amounts for each band are summed for the final tax payable. Scotland's LBTT has worked this way from its introduction on 1st April 2015, and Wales's LTT has done so since it began on 1st April 2018 (Land and Buildings Transaction Tax (Scotland) Act 2013, s 25; Welsh Revenue Authority, 2024). SDLT originally followed a "slab" system, where the entire price is taxed at a single rate once a threshold was crossed, creating cliff edges in tax liability. However, SDLT also moved to a slice structure for residential transactions on 4th December 2014 and for non-residential/mixed transactions on 17th March 2016 (HM Revenue & Customs, 2014; HM Treasury, 2016).

that it targets any artificial tax avoidance[7] and not only the most abusive arrangements (Scottish Government, 2022a). In addition to the GAAR, the LBTT bill included Targeted Anti-Avoidance Rules, which mirror the approach in England and Northern Ireland, but notably did not replicate the complex UK Finance Act 2003 Section 75A (an SDLT anti-avoidance rule that many practitioners found opaque) (Scottish Parliament, 2013).

A key legislative choice towards anti-avoidance was the decision not to include SDLT's sub-sale relief in the LBTT bill, which the Scottish Government described as "a gateway to a significant amount of avoidance activity." While acknowledging that HM Treasury was already moving to curb sub-sale avoidance in 2012, the then Finance Secretary sought to go further by not offering any kind of sub-sale relief, explaining that "[t]o do so would open up a significant risk of giving scope to tax avoiders who are intent on reducing their tax burden" (Scottish Parliament, 2013). The Scottish Government did eventually introduce a sub-sale relief, but in the form of a targeted relief only for the first buyer (the intermediate purchaser) and only where significant development is expected to take place within five years – a significantly narrower policy than the SDLT analogue (Scottish Government, 2015a).

[7] Defined by Revenue Scotland and Tax Powers Act 2014, asp 16 as when the relevant activity satisfies either or both of the following conditions: (i) it is "not a reasonable course of action in relation to the tax legislation"; or (ii) it "lacks economic or commercial substance", such as where the arrangement is carried out in a manner that does not accord with "reasonable business conduct."

Literature Review

- Strengths highlighted in the literature include LBTT's progressive structure and the ability to target reliefs at specific market goals (e.g., first-time buyers, large-scale investment).
- LBTT faces specific criticisms around its complexity, market impacts, revenue volatility, and potential barriers to first-time buyers.
- Property transaction taxes are generally criticised as economically distortionary, reducing market mobility and housing transactions.
- Supplemental charges like ADS may reduce rental supply and pass costs to tenants through higher rents, according to economic commentary reviewed.

The following literature review draws on a range of perspectives and analyses relating to Scotland's LBTT. It should be noted that to date, there has been only a limited number of studies specifically examining LBTT. Consequently, this literature review will also draw on evidence relating to SDLT in England and Northern Ireland, as well as land transaction taxes more broadly.

Strengths of LBTT

The literature highlights the effectiveness of LBTT as a progressive tax and in meeting the objective of vertical equity by ensuring that those with a greater ability to pay face higher tax rates (Alma Economics, 2020). This is achieved through a tiered structure in which the rate of LBTT depends on the property's value. For example, residential properties valued at less than £145,000 are exempt from LBTT, while higher-value properties are subject to progressively increasing tax rates, rising to as much as 12% on the portion of the price above £750,000 (The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015). Adam and Phillips (2025) observe that LBTT is more progressive than SDLT, which is applied in England and Northern Ireland. According to Borbely (2021), relative to SDLT, LBTT imposes equivalent effective tax rates on properties under £125,000, lower rates on those between £125,000 and £380,000, and higher rates on properties above £380,000, resulting in a more progressive tax structure. Borbely notes that implementing progressive rates for land transaction taxes can help reduce their distortionary effects and encourage greater activity among lower-value properties. He finds evidence of this following the Scottish introduction of LBTT, with significant increases in transaction activity at the lower end of the market, yet minimal impacts on the majority of properties subject to higher rates.

The literature has also identified potential benefits of the targeted reliefs associated with LBTT. The Scottish Government (2018a) emphasised that the increased zero tax threshold up to £175,000 meant that an estimated 80% of first-time buyers would not pay any LBTT, with other first-time buyers seeing savings of £600 in their tax payments. They note that the relief is expected to help 12,000 first-time buyers in Scotland every year. Furthermore, the ADS imposes a further tax applied to the purchase of additional residential properties, such as second homes and buy-to-rent properties. This likely incentivises owner-occupation through making it easier and more affordable for individuals to transition into owning their own home (Adam and Phillips, 2025).

The literature also highlights the significance of LBTT as a source of public revenue. In 2024-25, LBTT brought in £899 million in revenue according to statistics from Revenue Scotland (2025h). Recent forecasts by the Scottish Fiscal Commission (2025) project that LBTT revenues will surpass £1 billion in 2025-26 and will reach around £1.2 billion by 2029-30. Alma Economics (2020) also suggest that revenues obtained through LBTT are likely to have less distortionary effect on output compared to taxes on income or profits, as the LBTT tax base is not directly linked to Scottish output. Furthermore, LBTT can serve as an effective tool to stimulate property market transactions and, in turn, boost the wider economy through the use of stamp duty holidays. This approach was implemented during the COVID-19 pandemic by raising the LBTT payment threshold to £250,000, which meant that around 80% of buyers paid no LBTT at all (MacKenzie, 2020). A study from Best and Kleven (2017) on temporary transaction tax cuts finds evidence that temporary tax relief measures can trigger a significant expansion in economic activity, as buyers adjust the timing of their transactions to minimise tax liabilities. They find that removing a 1% property transaction tax in the UK led to a 20% short-run increase in activity in the housing market.

LBTT is also noted as improving on the original design of SDLT through incorporating a “slice” structure for tax thresholds. Mirrlees et al. (2011) observed that the slab structure of SDLT created highly distortionary incentives. Under the old SDLT structure, crossing into a higher threshold could result in a disproportionately large increase in tax liability, even from a small rise in transaction value. This created a sharp “cliff edge” effect, where a small increase in a property’s price could result in an extremely large increase in tax liability (Adam et al., 2025). In contrast, Borbely (2021) notes that LBTT’s slice-based design significantly reduces these distortions, leading to much less bunching of transactions just below threshold levels. It should be noted, however, that SDLT also moved to a slice structure in December 2014, shortly before the introduction of LBTT.

Criticisms of property transaction taxes

The literature search revealed a number of critiques directed not only at LBTT specifically, but also at the broader concept of land transaction taxes. Many economists have highlighted the inefficiency and distortionary impact of taxes on property transactions (McCauley, 2022). Taxes on property transactions can discourage mutually beneficial exchanges, distort the housing market, and deter homeowners from moving when they wish (Borbely, 2021; Tax Policy Associates, 2024). For example, the requirement to pay stamp duty when purchasing a new home may discourage older homeowners from selling and downsizing. This, in turn, reduces the supply of larger properties available for growing families who need more space (Scanlon et al., 2017; Johnson, 2023). Tax Policy Associates (2024) note that land transaction taxes can make it harder to secure bank loans due to the lost value to the tax, thereby limiting people's ability to move homes. The disincentivising effects of the tax can significantly influence property market transactions. Davidoff and Leigh (2013) examine stamp duty in the Australian housing market and find that a 10% increase in stamp duty leads to a 6% reduction in housing turnover when sustained over a three-year period.

This reduced mobility can, in turn, have further negative impacts on the labour market. Fewer geographically mobile workers means that people are unable to take up the jobs where they are most productive, resulting in lower labour market flexibility and an inefficient allocation of labour (Scanlon et al., 2017; Borbely, 2021; Cebr, 2020). In the rental market, taxes on property sales can reduce the supply of available rental properties, which in turn drives up rents for tenants. Johnson (2024) notes that recent rent increases can be partially attributed to higher tax liabilities faced by private landlords.

Cebr (2020) note that a reduction in the number of housing transactions and the resulting decline in labour mobility can have knock-on effects that ultimately reduce the productive capacity of the economy as a whole. The Cebr study investigates the potential impact of making permanent an SDLT holiday introduced during the COVID-19 pandemic. Their analysis suggests that extending the holiday would likely be fiscally neutral and could even be fiscally positive under their upper-bound estimates. This is because the reduction in stamp duty during the holiday period is estimated to have led to an additional 37,000 property transactions, which in turn generated higher tax revenues through increased consumption and greater activity in the property market. In the context of the Canadian Land Transfer Tax, Han et al. (2022) examine the effects of property transaction taxation. They find that the tax significantly reduces overall housing transactions, increases the time properties are on the market, and distorts both rental and ownership markets. They estimate that these distortions due to the tax cause a deadweight loss of 79% of total tax revenue.

Criticism of land transaction taxes has prompted numerous calls for reform. The Mirrlees Review conducted a comprehensive examination of the UK tax system and put forward recommendations for reforms aimed at making the system more efficient. The review highlighted that land transaction taxes, such as SDLT, are particularly inefficient because they limit household mobility and prevent property from ending up in the hands of those who value it most. The review proposed replacing SDLT with a tax proportional to a property's value, as part of wider reform of the taxation of housing consumption (Mirrlees et al., 2011). Several other studies have suggested shifting away from land transaction taxes in favour of alternatives, such as annual property taxes or land value taxes. Many economists argue that, in theory, these approaches are more efficient and create stronger incentives for the optimal use of land (Scanlon et al., 2017; Hughes et al., 2018).

Criticisms of LBTT

In addition to the critiques of land transaction taxes more generally, the literature review uncovered several concerns that relate specifically to LBTT.

The ADS, which imposes an amount of tax on transactions involving second homes or buy-to-let properties, in particular, has attracted criticism (Land Tax Advice, 2025). Adam and Phillips (2025) illustrate the considerable impact that the ADS has on landlords and tenants in the rental sector. They note that, for a property valued at £500,000, a prospective buy-to-let investor would incur £63,350 in LBTT, whereas an owner-occupier would pay only £23,350 for an equivalent purchase. In addition, landlords must also pay further taxes in the form of income tax on their rental income and capital gains tax on any increases in the value of their rental properties. They point out that by imposing an additional charge on purchases of rental properties, the ADS discourages transactions between landlords, making it harder for those wishing to sell to find buyers within the rental market. They argue that this affects not only landlords but also tenants, who are likely to face higher rents as a result of the ADS. The report also cites analysis from the Scottish Fiscal Commission, which found that the £30 million in additional annual revenue from the ADS rate increase is less than half of what could have been generated had buyers not been discouraged from making such purchases. Gibb and Leishman (2025) also criticise the lack of progressivity of the ADS and the high rates that apply to all transactions regardless of property value.

Other criticisms of the ADS have come from the Scottish Government (2023a) call for evidence, in which respondents noted a number of complexities and potentially unfair outcomes in relation to the current ADS. For example, it was noted that situations such as divorces and separations may result in individuals being liable to pay ADS on purchases that are intended to be their main residence. Respondents showed support for bringing in legislation that allows discretionary reliefs in exceptional circumstances that are out of taxpayers' control. Furthermore, the call for evidence also highlighted potential complications when transactions are liable to both pay ADS, as well as get relief from the MDR, and uncertainty around how calculations should be applied in such cases. Moreover, the call for evidence indicated that, in some rural areas of Scotland, respondents felt it had not achieved its intended goal of reducing second-home ownership and short-term rentals.

Adam and Phillips (2025) highlight that fiscal drag has caused the scale of LBTT to increase steadily since its introduction. Since 2015, the tax thresholds of LBTT have remained unchanged. For example, the no-tax threshold has remained fixed at £145,000 since LBTT was introduced, with the only exception being the temporary relief provided during the pandemic. Since 2015, rising average house prices have pushed more properties into higher tax thresholds, resulting in a greater proportion of transactions being liable for LBTT payments. In 2015-16, just under half of properties were above the zero-tax threshold, but by 2023-24, this figure had increased to 64%. This shift indicates that the tax burden on property buyers has grown significantly over the period.

Gibb and Leishman (2025) provide an assessment of Scotland's devolved housing taxes, including LBTT. They highlight the general concerns associated with land transaction taxes, such as reduced housing and labour mobility, as discussed above, but also identify issues that are more specific to LBTT. They observe that distortions in the housing market are exacerbated by the numerous exemptions and frequent changes to LBTT rates and reliefs. They also highlight the "bunching effects" in LBTT, noting how property transactions often cluster just below tax thresholds to avoid higher rates. Finally, they point out that LBTT revenues are particularly challenging to forecast for the Scottish Budget, as this requires estimating multiple factors, including transaction volumes, price distributions, and behavioural responses.

The literature also raises further concerns about land transaction taxes and their impact on first-time buyers. Although this evidence primarily concerns SDLT in England and Northern Ireland, the shared emphasis on supporting first-time buyers and the similarity of the first-time buyer reliefs mean it may also be relevant when assessing LBTT. Scanlon et al. (2017) argue that stamp duty in the English housing market can disadvantage first-time buyers by reducing housing turnover, thereby limiting the available supply of properties. Bolster (2011) evaluates the effect of SDLT first-time buyer relief and finds no significant improvement in housing affordability for first-time buyers. The study reports that the relief increased first-time buyer transactions by only 0.2%, with most beneficiaries likely to have purchased a property even in the absence of the relief. As such, the relief demonstrates weak additionality. As a result, the policy imposed a substantial fiscal cost, with the lost revenue to the Exchequer estimated at £160,000 for each additional first-time buyer transaction.

Non-Residential and Mixed-use Treatment

Summary

This table provides a summary of our analysis of the LBTT treatment of non-residential and mixed-use property.

Objectives	• To increase competitiveness and attractiveness for business investment in Scotland, and ensure that smaller businesses pay the lowest or zero LBTT rates (Scottish Government, 2017).
Technical overview	• Not a relief, but a separate tax structure. • Treats non-residential property (or a mixture of non-residential and residential) as distinct from residential property. Non-residential tax rates were lower than residential rates (Scottish Government, 2017).
Interactions with other reliefs and mechanisms	• With MDR: If a transaction includes multiple dwellings and non-residential property, the buyer may claim MDR on the dwellings. and pay non-residential LBTT on the non-dwelling part (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 5). • With ADS: For purely non-residential transactions with no dwellings involved, no ADS is applied, but may be payable for a mixed transaction (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 2A). • With the 6+ dwellings ADS exemption: Non-residential tax bands are used, and no ADS is payable (Land and Buildings Transaction Tax (Scotland) Act 201, s 59). • With first-time buyer relief: The relief only applies to purchases of entirely residential property, with a single exception (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 4A).
Comparative analysis	• England and Northern Ireland's SDLT, and Wales' LTT, broadly treat commercial or mixed property deals similarly to Scotland's LBTT. • SDLT and LBTT have the same bands, but there are rate differences, with LBTT rates being lower than or equal to SDLT (e.g., 1% vs 2% for a purchase price between £150,001-250,000) (The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; UK Government, 2025). • LTT and LBTT have different bands and rates. (e.g., LTT has 4 bands with a highest rate of 6% vs LBTT has 3 bands with a highest rate of 5%) (Welsh Government, 2024a).

Materiality analysis	• Materiality analysis indicates revenues from residential property transactions have consistently exceeded those from non-residential transactions (Revenue Scotland, 2025c). • A considerably higher proportion of LBTT relief claims arises from residential property transactions than non-residential ones, although the value of revenue forgone due to reliefs has been much greater in the non-residential sector (Revenue Scotland, 2025c).
Impact analysis	• Despite the relatively more favourable treatment of non-residential transactions, residential property transactions became relatively more common in Scotland following the introduction of LBTT. This same pattern was not seen in England and Wales (UK Government, 2025). • However, this analysis does not control for the wider set of factors that may have influenced residential and non-residential transactions over this period.
Findings from stakeholder engagement	• Most investors and landlords did not believe LBTT rate differences strongly influenced their investment behaviour. • Few landlords or investors had used or were aware of the mixed property rule; awareness was particularly limited among smaller investors, but those familiar felt it simplified transactions involving mixed-use properties and supported Scotland's competitiveness. • Legal professionals highlighted significant ambiguity in property classification and inconsistencies in available guidance, calling for clearer, more detailed support and alignment with HMRC standards. • Support was expressed across groups for an apportionment approach, taxing each property type at its corresponding rate, despite some concerns over potential valuation challenges.

Objectives

This is a separate rate structure rather than a relief; however, classifying a purchase as non-residential typically yields a lower tax liability than the equivalent residential purchase under LBTT. Early discussions regarding the non-residential regime envisioned a lower top rate of tax for non-residential property to minimise a disproportionate impact on businesses in Scotland (Scottish Government, 2012a). The explicit policy objective behind the 2018 reset of non-residential LBTT bands was to make Scotland's non-residential rates "the most competitive in the UK" and thereby support Scotland's competitiveness and attractiveness for business investment. It was also expressed that LBTT's regime for non-residential transactions would ensure that smaller businesses pay the lowest or zero rates (Scottish Government, 2017).

Technical overview[8]

Description and administration

- While not a relief, the tax payable on a transaction comprising either a non-residential interest or a mixture of residential and non-residential interests (which is treated as a non-residential transaction under LBTT) is calculated using non-residential rates and bands. This typically yields a lower charge than the residential schedule at comparable prices.
- Reported as non-residential on LBTT return.

Timeframe and value

- In effect since LBTT's introduction on 1st April 2015.
- The non-residential LBTT rates are currently: (i) 0% on the portion of the purchase price up to £150,000, (ii) 1% on the portion from £150,001 up to £250,000, and (iii) 5% on the portion over £250,000.
- For comparison, the residential LBTT rates are currently (i) 0% on the portion of the purchase price up to £145,000, (ii) 2% on the portion from £145,001 to £250,000, (iii) 5% on the portion from £250,001 to £325,000, (iv) 10% on the portion from £325,001 to £750,000, and (v) 12% on the portion over £750,000.

For ease of reference, both schedules are presented in Tables 1 and 2.

Table 1. LBTT schedule for residential properties

Purchase price	LBTT rate
Up to £145,000	0%
£145,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

Table 2. LBTT schedule for non-residential and mixed-use properties

Purchase price	LBTT rate
Up to £150,000	0%
£150,001 to £250,000	1%
Above £250,000	5%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

[8] Sources: Land and Buildings Transaction Tax (Scotland) Act 2013; The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

Eligibility criteria and limitations

- A transaction qualifies as non-residential if it involves: (i) commercial property, (ii) forests, (iii) agricultural land, or (iv) six or more residential properties bought in a single transaction (see the 6+ dwellings ADS exemption below). Also treated as non-residential property are buildings used as the following: (i) a home/institution providing residential accommodation for children; (ii) a hall of residence for students in further/higher education; (iii) a home/institution for persons in need of personal care due to age/disability/drug/alcohol dependency/mental health conditions; (iv) a hospital/hospice; (v) a prison or similar establishment; or (vi) a hotel/inn or similar establishment.
- Note that the ADS does not apply to non-residential property transactions. However, where a mixed transaction includes a residential dwelling or dwellings, the ADS will apply to 8% (the current ADS rate) of the chargeable consideration for the corresponding part of the transaction.

Interactions with other reliefs and mechanisms

Between non-residential/mixed-use properties and MDR

If a transaction includes multiple dwellings and non-residential property (e.g., an estate with cottages and farmland), the buyer can potentially claim MDR on the dwellings and still pay non-residential LBTT on the non-dwelling part. The formulas for MDR explicitly separate "remaining property" (the non-residential portion) from dwellings to integrate the two regimes, essentially ignoring the non-residential part when calculating the MDR for the dwellings. This interaction ensures that having a commercial element in a transaction does not nullify the benefit of the MDR on the residential part. Conversely, if one of the dwellings in an MDR claim is in fact a commercial unit, it cannot be counted towards the MDR. The overall effect is that non-residential land acquisitions and the MDR interact in mixed transactions to significantly reduce the tax payable on the dwelling part (via averaging on dwellings) while attracting the lower non-residential rates on the non-dwelling part (Revenue Scotland, 2025a interpretation).

Between non-residential/mixed-use properties and ADS

A transaction deemed entirely "non-residential" under LBTT is outside the scope of the ADS. For purely commercial transactions with no dwellings involved, this means that no ADS is applied. A notable case is mixed-use transactions, e.g., buying a building that has both a shop and a flat, or a house with substantial land or a commercial element. By statute, a mixed transaction is taxed as non-residential, so the base LBTT is at the lower non-residential rates. However, the ADS may still be payable in a mixed transaction: if the transaction includes a residential dwelling that meets the conditions for ADS to be payable (e.g., the buyer is not replacing their main residence, its value is £40,000 or higher), the 8% ADS is charged on the portion of the consideration attributable to that dwelling. For example, if someone buys a £1 million property that is half commercial, half dwelling, which meets the conditions for ADS to be payable, LBTT is computed under non-residential bands on the £1 million, but the 8% ADS still applies to the £500,000 dwelling portion (Revenue Scotland, 2024c interpretation).

Between non-residential/mixed-use properties and 6+ dwellings ADS exemption

When a buyer purchases six or more separate dwellings in a single transaction, the transaction is treated as non-residential for LBTT purposes. The immediate consequences are twofold: (1) LBTT is calculated using the non-residential tax bands, and (2) full exemption from the ADS is granted, meaning no ADS is payable. This mechanism is effectively a special exemption that large residential portfolio transactions enjoy. However, the 6+ dwellings ADS exemption still applies if the transaction includes a non-residential element, provided that it also involves six or more residential dwellings (as per the conditions of the exemption). In such cases, no ADS is paid on either the residential portion or the non-residential portion – the former due to the 6+ dwellings exemption and the latter due to the ADS not being payable on the non-residential portions of mixed transactions (see above) (Revenue Scotland, 2024d interpretation).

Between non-residential/mixed-use properties and first-time buyer relief

The first-time buyer relief raises the nil-rate LBTT band to £175,000 for qualifying first-time purchases. The relief only applies to purchases of entirely residential property – if the transaction includes any non-residential element or is a linked transaction (part of a series of transactions), it will not qualify for the relief with a single exception. The exception is in the case of a linked transaction involving a residential and a linked non-residential purchase where the latter is either the garden or grounds of the residential property or is land that subsists or is to subsist for the benefit of that property. In such cases, the relief will be available on the total consideration of the linked transaction (Revenue Scotland, 2024e interpretation).

Comparative analysis

This section presents a comparative analysis of LBTT's treatment of non-residential and mixed-use transactions in Scotland vis-à-vis SDLT in England and Northern Ireland and LTT in Wales.

Key differences between LBTT and SDLT

Both Scotland's LBTT and England and Northern Ireland's SDLT maintain separate regimes for non-residential and mixed-use transactions, which are shown in the table below. Under LBTT, non-residential purchases (e.g., commercial properties or land) are taxed on a slice basis at 0% up to £150,000, 1% on £150,001-250,000, and 5% above £250,000. SDLT similarly taxes non-residential transactions at 0% up to £150,000 and 5% above £250,000, but imposes 2% on £150,001-250,000 (see table and figure below). Thus, for mid-sized commercial purchases (e.g., £200,000-300,000), LBTT's 1% middle rate produces a slightly lower liability than SDLT's 2% rate on the same band, with a maximum variation of £1,000. It was Scotland's 2019 reform of non-residential LBTT rates that aligned its lower and top rates and thresholds with the SDLT regime. LBTT's lower 1% middle rate (versus 2% in SDLT) is arguably consistent with the Scottish Government's stated approach of ensuring smaller businesses pay lower rates of LBTT (Scottish Government, 2017).

Table 3. LBTT and SDLT schedules for non-residential and mixed-use properties

Purchase price	LBTT rate	SDLT rate
Up to £150,000	0%	0%
£150,001 to £250,000	1%	2%
Above £250,000	5%	5%

Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; UK Government (2025)

Figure 2.

Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; UK Government (2025)

The definition of non-residential versus residential property is materially the same under both taxes. In broad terms, "residential property" covers real estate used or suitable for use as a dwelling, whereas "non-residential" encompasses all other land or structures. Crucially, any mixed-use transaction (one that includes both residential and non-residential elements) is treated wholly as non-residential for tax purposes in Scotland, as well as in England and Northern Ireland. This means, for example, the purchase of a building comprising a shop with a flat above is taxed at non-residential rates with no supplement for additional dwellings (HM Revenue & Customs, 2025a; Revenue Scotland, 2025e). Both jurisdictions embed this rule in legislation (UK Government, 2003; Scottish Government, 2013). In practice, this alignment ensures that Scotland's LBTT and England and Northern Ireland's SDLT produce broadly similar outcomes for commercial or mixed property deals, aside from the rate differences noted. Neither system attempts to apportion consideration between residential and commercial components; the entire transaction falls into the non-residential schedule by default.

Key differences between LBTT and LTT

Scotland's LBTT and Wales's LTT are relatively similar in their treatment of non-residential and mixed-use transactions, reflecting policy learning and shared objectives between the two devolved systems. Both apply separate non-residential rate schedules and classify any mixed-use deal as non-residential. A chief difference lies in rate bands. As of 2025, Welsh LTT non-residential rates are 0% on consideration up to £225,000, 1% on £225,001-250,000, 5% on £250,001-1,000,000, and 6% on any portion above £1,000,000 (see Table 5 and Figure 3 below). In contrast, Scotland's LBTT non-residential rates are 0% up to £150,000, 1% on £150,001-250,000, and 5% on anything above £250,000 (see Table 4). Thus, Wales sets a higher entry threshold (£225,000 versus £150,000) before any tax is due on commercial property, but then introduces a 6% rate for very expensive transactions (over £1,000,000). Scotland imposes taxation much earlier (£150,000), affecting smaller purchases (e.g., a £200,000 shop pays £500 LBTT versus £0 LTT), but never exceeds 5% regardless of price. It should be noted that LTT's nil rate at the time of introduction (1st April 2018) was also limited to purchase prices up to £150,000 and only diverged in December 2020 (Welsh Government, 2024a).

Table 4. LBTT schedule for non-residential and mixed-use properties

Purchase price	LBTT rate
Up to £150,000	0%
£150,001 to £250,000	1%
Above £250,000	5%

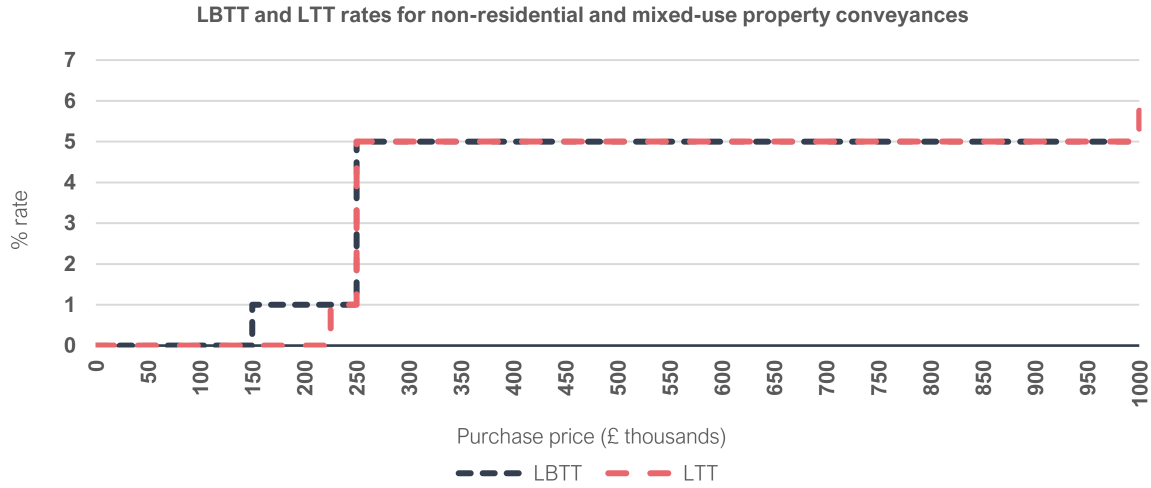
Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

Table 5. LTT schedule for non-residential and mixed-use properties

Purchase price	LTT rate
Up to £225,000	0%
£225,001 to £250,000	1%
£250,001 to £1,000,000	5%
Above £1,000,000	6%

Source: Welsh Government (2024a)

Figure 3.



Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; Welsh Government (2024a)

As for mixed-use property, both LBTT and LTT legislation adopt the same fundamental rule: if a transaction comprises both residential and non-residential property, it is taxed entirely on a non-residential basis (with no apportionment between residential and commercial components) (Welsh Government, 2021a). As such, the primary difference between the two regimes with respect to non-residential and mixed-use properties is the rate thresholds and the presence of Wales's 6% top marginal rate on non-residential considerations over £1,000,000.

Materiality analysis

The following section explores how residential and non-residential property transactions differ in their contribution to tax revenues, returns, relief claims, and forgone earnings. Data on total LBTT revenues can be broken down into transactions from residential and non-residential properties. As shown in Table 20 and Figure 27 in Appendix 2, revenues from residential property transactions have consistently exceeded those from non-residential transactions. The time series highlights how the difference between revenues from residential and non-residential transactions was relatively small at the start of the series in 2015/16. However, this gap has widened steadily over time, reaching the point where, by 2024/25, residential property transactions account for 77% of all declared LBTT revenue. This is likely partly due to several increases in the ADS rate on residential second homes, which has risen from 3% at its introduction to 8% today. Revenues from the ADS have grown substantially since it was first introduced.

Table 21 presents data on the number of LBTT tax returns, highlighting an even larger disparity between residential and non-residential transactions. Residential transactions consistently make up the bulk of LBTT transactions. Throughout the period between 2015/16 and 2024/25, the residential share of transactions remained high and stable, shifting only marginally from 94% to 93% over the period.

Table 22 displays LBTT relief claims broken down by residential and non-residential transactions. The data show that residential property transactions account for a far greater share of LBTT relief claims than non-residential ones. Over the period, the number of residential relief claims increased sharply, both in absolute terms and as a share of total claims. While residential transactions made up 56% of all relief claims in 2015/16, this proportion had risen to over 95% by 2021/22. It is also notable that both the absolute number of residential relief claims and their share of total claims jumped markedly in 2018/19. This coincides with the introduction of First-Time Buyers Relief in 2018, suggesting that this relief was the primary driver of the shift.

Whilst the number of relief claims has been considerably higher for residential property transactions, the pattern for foregone revenue tells a different story. As shown in Table 23 and Figure 28, the value of revenue forgone due to reliefs was substantially greater in the non-residential sector than in the residential sector. While residential foregone revenue from reliefs represented only around 3-9% of residential revenues over the period, non-residential reliefs accounted for as much as 91% of non-residential revenues. This is primarily attributable to group relief on non-residential property, which represents by far the largest source of revenue forgone, accounting for 57% of total LBTT revenue forgone in 2023/24 (Revenue Scotland, 2024f).

Impact analysis

The following section undertakes an analysis of the impact of the differing treatment between residential and non-residential properties under LBTT. This element was chosen for this analysis in part due to the availability of relevant time series data predating the introduction of LBTT. It is important to note that the following findings offer only suggestive evidence of impact based on observed trends over time. While we draw on evidence from other UK stamp duty systems, specifically SDLT in England and LTT in Wales, to partially account for factors affecting all three nations, this analysis cannot control for many confounding factors that may have changed over time and influenced property transaction patterns in the Scottish market. As such, these results should not be interpreted as providing definitive causal evidence of impact.

As shown in Tables 6 and 7, the tax payable on a non-residential transaction relative to an equivalent residential transaction is lower, by operation of both lower rates and their application to wider bands. For instance, the top rate for residential property transactions is 12%, whereas the highest non-residential rate is capped at 5%. Similarly, band thresholds are more favourable to non-residential properties; for example, the nil-rate band is set slightly higher. This means that property transactions of the same value typically incur lower LBTT liabilities when classified as non-residential. Finally, it is important to note that where a transaction includes any non-residential element, LBTT treats the entire transaction as non-residential.

Table 6. LBTT schedule for residential properties

Purchase price	LBTT rate
Up to £145,000	0%
£145,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

Table 7. LBTT schedule for non-residential and mixed-use properties

Purchase price	LBTT rate
Up to £150,000	0%
£150,001 to £250,000	1%
Above £250,000	5%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015

Given the more favourable treatment of non-residential transactions compared to residential ones, LBTT may create incentives that increase the relative volume of non-residential property transactions. The following analysis draws on evidence from the UK Government (2025), which reports annual numbers of residential and non-residential transactions. These data are used to construct a ratio of residential to non-residential transactions, enabling us to assess whether the introduction of LBTT has been associated with any discernible shifts in their relative proportions.

Analysis

Our analysis suggests that residential property transactions became relatively more common in Scotland following the introduction of LBTT[9]. A simple pre-post comparison, shown in Table 8, indicates that between 2005 and early 2015, there was an average of 10.3 residential transactions for every non-residential transaction. In the period from April 2015, when LBTT was introduced, to early 2025, this ratio rose to 13. The figures indicate that the decline was largely driven by a reduction in non-residential property transactions. On average, annual non-residential transactions in the period following the introduction of LBTT were 17% lower than in the pre-LBTT period. In contrast, residential property transactions over the same period rose by 3%. It should also be noted, however, that part of the observed decline in non-residential transactions may reflect a shift from property purchases toward leasing arrangements, rather than necessarily indicating a reduction in underlying market activity.

Table 8. Pre-post analysis of residential vs non-residential property transactions

	Pre-2015 average	Post-2015 average	Differ ence	Percentage increase
Scotland annual residential property transactions	98109	101,131	3,022	3%
Scotland annual non-residential property transactions	9,369	7,803	-1,566	-17%
Ratio of residential to non-residential	10.29	13.00	2.71	26%

[9] It should be noted that pre-devolution transaction data for the UK's constituent countries were not collected in the same detail as post-devolution data and may be less reliable.

property transactions

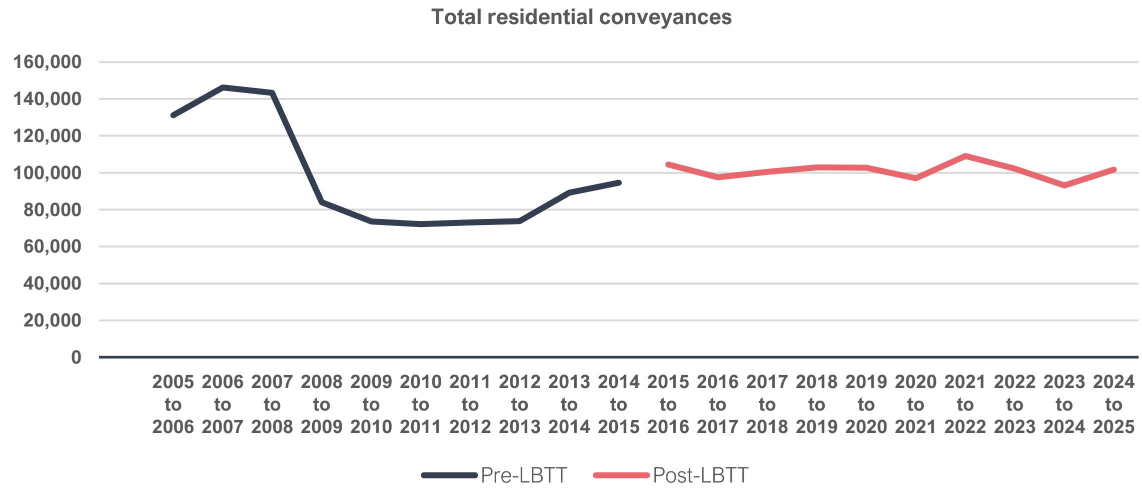
Source: UK Government (2025)

The graphical representation of total residential and non-residential conveyances shown in Figures 4 and 5 illustrates this shift with a clear decline in non-residential transactions since 2015, while residential transactions have remained relatively stable. Figure 6 shows the ratio between residential and non-residential conveyances over time and highlights a marked increase in the ratio between 2014/15 and 2015/16, coinciding with the introduction of LBTT. This pattern contrasts with the case of first-time buyer reliefs, where differences before and after the policy appeared to reflect an already ongoing upward trend. The distinct shift in 2015 provides suggestive evidence that the introduction of LBTT influenced housing transactions.

This pattern is somewhat counterintuitive given the preferential treatment afforded to non-residential property under LBTT, which might instead have been expected to reduce the ratio. It is important to note, however, that SDLT, the predecessor to LBTT, also included separate rates and bands for residential and non-residential property, with stronger preferential treatment for non-residential transactions. If SDLT provided greater relative advantages for non-residential property than LBTT, this could help explain the observed increase in the ratio in Scotland after 2015. This issue is explored further in the comparative analysis with other UK nations in the section below.

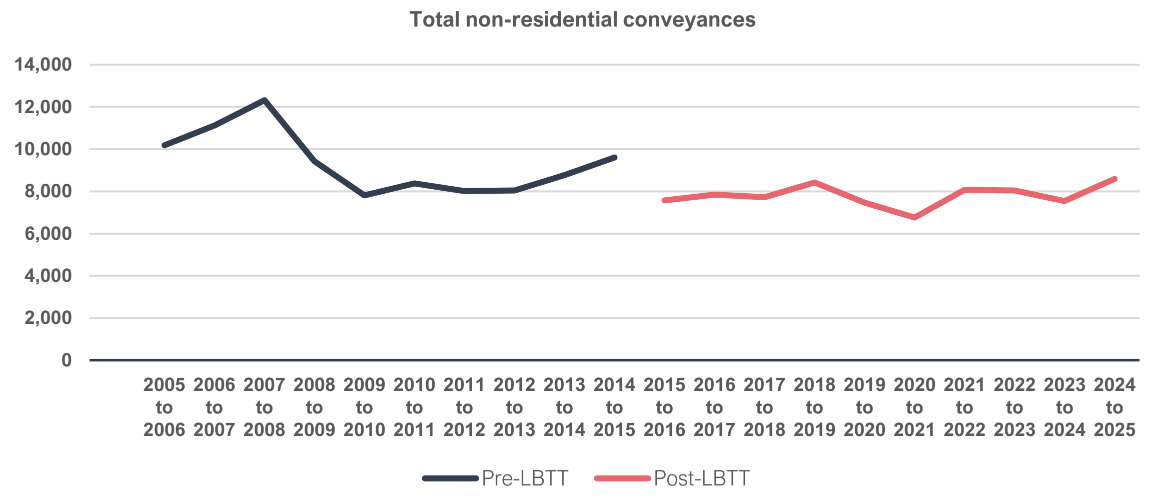
Nevertheless, it must be emphasised that this analysis does not control for the wider set of factors that may have influenced residential and non-residential transactions over the period. The findings should therefore not be interpreted as strong causal evidence of LBTT directly changing the balance between these transaction types.

Figure 4.



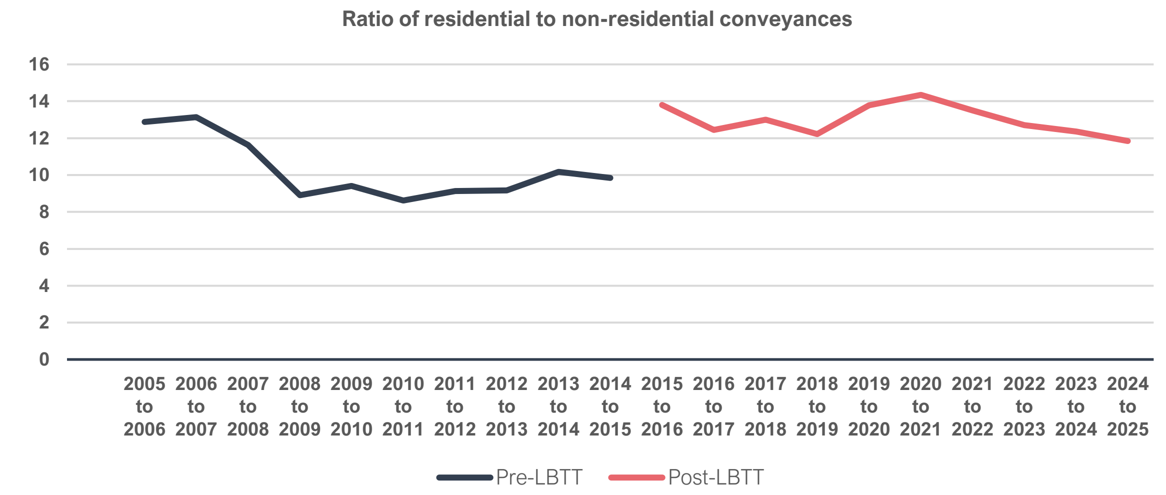
Source: UK Government (2025)

Figure 5.



Source: UK Government (2025)

Figure 6.



Source: UK Government (2025)

Comparison with other UK nations

In terms of treatment of different property types, the property transaction tax systems in England and Northern Ireland (SDLT) and Wales (LTT) share similar structures to LBTT, with different bands and rates applying to residential and non-residential property transactions. In both SDLT and LTT, non-residential transactions are again generally taxed more favourably, as lower rates typically apply. The detailed rates and bands for each system are shown in Tables 9 and 10 below.

Figure 7 illustrates the ratio of residential to non-residential conveyances across the three nations considered. This comparison makes the rise in Scotland's rate appear even more pronounced. While the ratios in England and Wales have remained broadly stable or even declined slightly since the introduction of LBTT, Scotland shows a distinct increase. This suggests that the shift to LBTT may have influenced the balance of transactions, raising the relative prevalence of residential property purchases in Scotland. Nevertheless, although cross-national comparisons help control for factors common across countries, many other influences are also likely to have shaped these trends. As such, the evidence should be interpreted as indicative rather than conclusive of a causal impact from the introduction of LBTT. It is also important to caveat that changes in the absolute or relative number of conveyances do not necessarily reflect overall market activity, as shifts may also be occurring within the leasehold market.

Table 9. Residential rates and bands

LBTT (Scotland)		SDLT (England and Northern Ireland)		LTT (Wales)	
Band	Rate	Band	Rate	Band	Rate
Up to £145,000	0%	Up to £125,000	0%	Up to £225,000	0%
£145,001 to £250,000	2%	£125,001 to £250,000	2%	£225,001 to £400,000	6%
£250,001 to £325,000	5%	£250,001 to £925,000	5%	£400,001 to £750,000	7.5%
£325,001 to £750,000	10%	£925,001 to £1.5 million	10%	£750,001 to £1.5 million	10%
Above £750,000	12%	Above £1.5 million	12%	Above £1.5 million	12%

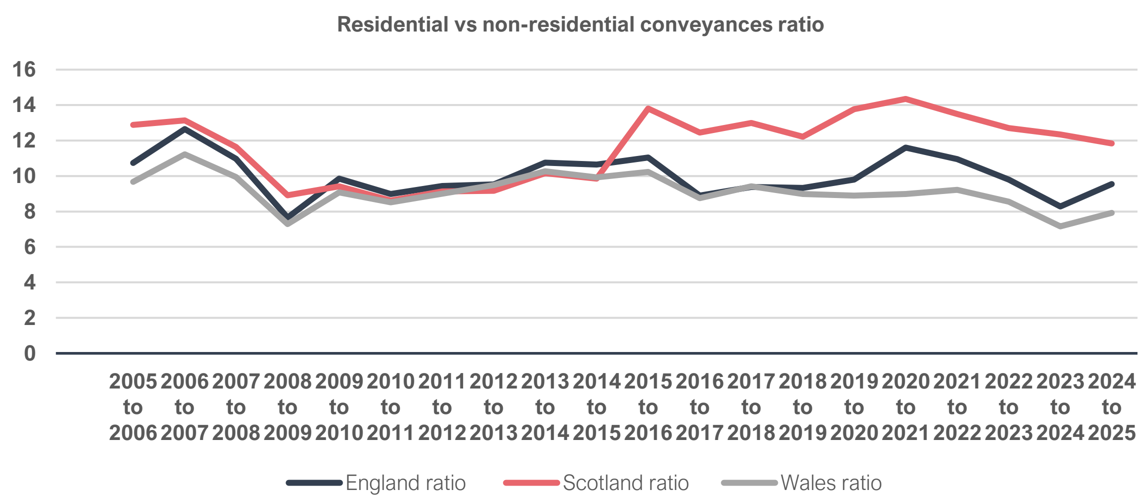
Source: See Comparative analysis

Table 10. Non-residential bands and rates

LBTT (Scotland)		SDLT (England and Northern Ireland)		LTT (Wales)	
Band	Rate	Band	Rate	Band	Rate
Up to £150,000	0%	Up to £150,000	0%	Up to £225,000	0%
£150,001 to £250,000	1%	£150,001 to £250,000	2%	£225,001 to £250,000	1%
Above £250,000	5%	Above £250,000	5%	£250,001 to £1 million	5%
				Above £1 million	6%

Source: See Comparative analysis

Figure 7.



Source: UK Government (2025)

Findings from stakeholder engagement

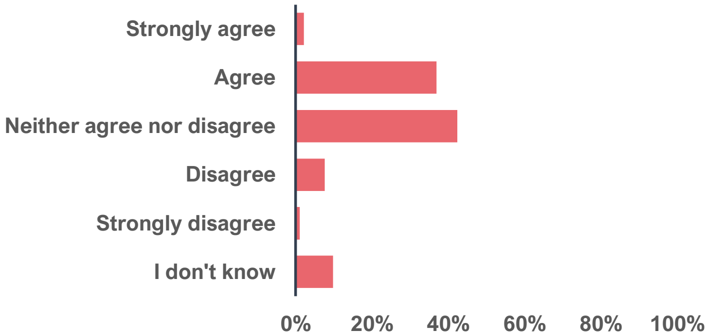
Summary of findings

Stakeholders expressed mixed views on LBTT rate differentials between residential and non-residential properties. Some felt lower non-residential rates encouraged conversions to housing, while others questioned fairness, suggesting rates should reflect land area used rather than property type. Few used the mixed property rule, and it was thought that the current rules primarily benefit larger or mixed-use buyers. Legal professionals highlighted ambiguity in classifying properties and inconsistent guidance from Revenue Scotland. Broad support emerged for an apportionment approach, taxing each property element at its relevant rate.

Differential rates between residential and non-residential transactions

By and large, respondents to the survey of individual investors did not express strong views on the differential rates of LBTT for residential and non-residential properties. In the survey, when investors were asked to what extent they agreed that the lower LBTT rates on non-residential and mixed property transactions enabled them to undertake investments they would otherwise be unable or unwilling to, responses were mixed. While just under 2/5 (37%) agreed and a small proportion (2%) strongly agreed, suggesting that the relief may have had some influence on investment decisions, a similar share (42%) neither agreed nor disagreed (see Figure 8). Meanwhile, only a minority disagreed (8%) or strongly disagreed (1%), and 10% stated that they did not know. Furthermore, out of the 92 investors surveyed, only 6% owned a purely non-residential or a mixed residential and non-residential property.

Figure 8. To what extent do you agree with the following statement: "the lower LBTT rates on non-residential and mixed (residential and non-residential) property transactions, compared to purely residential transactions, enable me to undertake investments that I would otherwise not be able or willing to" (n=92)



When asked to expand on these responses, the qualitative findings from the survey align closely with the quantitative results, showing that most investors did not perceive the differential LBTT rates between residential and non-residential or mixed-use properties as having a strong effect on their investment behaviour. The majority of respondents said the tax treatment has little to no impact on their decisions, often because they only invest in residential properties or are not in a position to purchase additional assets. Many also admitted to a limited understanding of how the rules work, stating that they would rely on accountants or solicitors to advise them. For these investors, other factors such as market opportunities, affordability, and long-term returns are more influential than the relative tax rates.

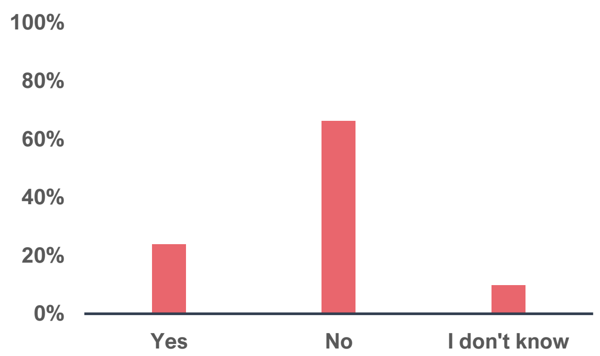
Furthermore, in the stakeholder interviews, some landlords and property developers observed that non-residential properties generally have a lower value per square foot, alongside lower LBTT rates. They suggested that this can create incentives for purchasing non-residential properties and converting them into residential use. Anecdotal evidence supported this view, indicating that such conversions are seen as a viable investment strategy compared with buying residential properties outright. Several stakeholders mentioned either having considered this approach themselves or knowing others who had undertaken such conversions.

Some investors, however, disagreed with the current rate differentials. One described it as difficult to justify the variation in rates when both types of property occupy the same amount of land, suggesting instead that LBTT should be calculated based on land area rather than property use. Stakeholders also noted that, compared with SDLT, the Scottish LBTT system imposes higher taxes on mid- to high-value properties. A few respondents linked this to wider challenges in the Scottish housing market, arguing that current LBTT rates may deter residential investment and that more could be done to encourage residential development through tax policy.

Mixed property rule

Findings from the interviews and the survey of individual investors indicated that stakeholders had not themselves made use of the mixed property rule. As shown in Figure 9 below, limited awareness and understanding of the relief among smaller landlords were identified. When landlords were asked whether they were aware of the relief prior to taking part in the survey, only 24% (22 out of 92) answered 'yes.' The majority of respondents (66%) stated that they were not aware of the relief, while the remaining 10% were unsure.

Figure 9. Prior to this survey, were you aware that LBTT treats mixed non-residential and residential transactions as wholly non-residential for tax purposes? (n=92)



Interviews with some stakeholders suggested that the rule helps maintain simplicity for taxpayers by classifying properties entirely as either residential or non-residential. Some viewed this as less burdensome than applying apportionment, under which the residential and non-residential parts of a property transaction would be charged different rates. Stakeholders also explained that the relief may avoid discouraging investment in non-residential property that includes a minor residential element, such as high street properties, and help to keep Scotland competitive with the rest of the UK.

Some stakeholders noted potential issues with the rule not always being used as intended. Concerns were raised about taxpayers claiming mixed property treatment where there is no clear non-residential element in the transaction, such as where part of the property is open to public access. Reference was made to significant avoidance activity under SDLT in parts of the UK, where some taxpayers have fabricated a small non-residential element to secure lower rates. One stakeholder described it as a "bit ridiculous" that a minimal non-residential component could cause an entire transaction to be treated as non-residential. However, most stakeholders agreed that avoidance activity of this type is far less common in Scotland, and they were generally unaware of examples where non-residential elements were deliberately added to transactions to benefit from lower rates.

Beneficiaries of current treatment

Many stakeholders did not believe that the current tax treatment particularly benefits any specific group. A small landlord observed that higher rates for residential properties discourage individuals from becoming landlords. Another stakeholder suggested that the current system tends to favour larger landlords and those involved in mixed property transactions, who can make use of the mixed property rule to pay lower rates of LBTT. It was generally recognised that the main beneficiaries are those purchasing mixed-use properties, as this rule allows them to be taxed at the lower non-residential rate. Larger transactions, such as former farms, are more likely to include elements of non-residential property and can therefore qualify as mixed-use, unlike smaller purchases, such as a three-bedroom semi-detached house. Another stakeholder added that buyers of large estates often benefit from similar reasons, since such estates typically contain some commercial land use that enables them to pay LBTT at the lower non-residential rate.

Complexities

Respondents, particularly those from the legal profession, noted complexities arising from the differential treatment of residential and non-residential property, including challenges in determining where the boundary between these classifications lies. Lawyers reported spending considerable time establishing whether a property should be classified as residential or non-residential in order to establish which rate of LBTT should apply. Several examples of confusion were noted, such as whether operating a home office from a private residence could make the property commercial rather than residential. A recurring concern was the lack of a clear and consistent definition distinguishing residential from non-residential property. Another stakeholder also acknowledged this as a problematic area, describing significant ambiguity and subjectivity in interpretation. They claimed that litigation cases have helped clarify definitions and provide greater clarity, but uncertainties persist.

Lawyers further raised concerns about the guidance available on residential and non-residential classifications, and on LBTT rules more broadly. They observed inconsistencies between Revenue Scotland and HMRC guidance, despite the underlying legislation often being identical. Some stakeholders felt that Revenue Scotland's guidance lacks the detail and nuance found in HMRC's materials. Stakeholders also reported difficulties in obtaining advice from Revenue Scotland on specific circumstances. They described instances where Revenue Scotland staff were unable or unwilling to offer definitive guidance, instead directing them back to published guidance. Many felt that Revenue Scotland could improve its guidance, aligning it more closely with HMRC's SDLT guidance and providing clearer examples. A specific issue cited was the treatment of holiday homes, which are classified as residential properties under LBTT, even where occupation is restricted to short periods.

Use of apportionment

Across all participant groups, support was expressed for exploring an apportionment approach that better reflects the mixed nature of many property transactions. Under such a system, the residential element would be taxed at the residential rate, and the non-residential element at the corresponding non-residential rate. While some stakeholders acknowledged potential valuation challenges, interviewees noted that comparable processes already exist within ADS calculations, where the ADS is applied only to the residential portion. This was seen as evidence that the additional administrative burden could be manageable.

MDR

Summary

This table provides a summary of our analysis of Scotland's MDR.

Objectives	• To support buy-to-let investors and large-scale residential property purchases by ensuring that a single transaction involving multiple dwellings is not taxed at a high tax band when the same dwellings purchased individually would have attracted a charge at lower tax bands (Scottish Government, 2013a).
Technical overview	• A partial LBTT relief available when a buyer acquires more than one dwelling in a single transaction or a series of linked transactions (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 5).
Interactions with other reliefs and mechanisms	• With non-residential/mixed: A buyer can potentially claim MDR on the dwellings and still pay non-residential LBTT on the non-dwelling part of their property (Revenue Scotland, 2025a interpretation). • With ADS: When a buyer purchases multiple residential properties together, both the ADS and the MDR can potentially apply simultaneously (Revenue Scotland, 2024g interpretation). • With 6+ dwellings ADS exemption: A buyer can benefit from non-residential rates and claim full relief from the ADS, despite benefiting from MDR (Brodies, 2021 interpretation). • With first-time buyer relief: A buyer who qualifies for MDR does not qualify for first-time buyer relief, and they would be subject to ADS (Revenue Scotland, 2024e; Revenue Scotland, 2024c interpretations).
Comparative analysis	• While Scotland retained its MDR as originally envisioned, England and Northern Ireland abolished their equivalent MDR under SDLT due to significant abuse (HM Revenue & Customs, 2025b). • Wales continues to offer an MDR but has tightened the circumstances under which it can be claimed. For instance, regulations were passed to limit LTT MDR when the subsidiary dwelling exemption (SDE) from higher rates applies (Welsh Parliament, 2025).
Materiality analysis	• MDR accounted for 7-15% of total foregone revenue in the last 10 years, and 1-3% of total LBTT revenue (Revenue Scotland, 2025c). • Compared with the 6+ dwellings ADS exemption and the first-time buyer relief, it accounted for the largest share of LBTT revenues forgone, although the gap between the three has narrowed recently (Revenue Scotland, 2025c).

Findings from stakeholder engagement	• Awareness and use of MDR is concentrated among larger landlords, developers, and institutional investors to make multi-property transactions (e.g., build-to-rent, student accommodation schemes) financially viable by reducing LBTT costs. • Smaller landlords and individual investors showed low awareness and limited use of the relief. Most reported that MDR has little influence on their investment decisions, as they generally purchase single properties or are ineligible to claim. • Stakeholders who use MDR felt it fulfilled its purpose by smoothing tax liabilities, but viewed it more as removing a tax disincentive than providing an active investment incentive. Wider housing policies, especially rent controls, were seen as having a stronger effect on investment behaviour. • While some noted the relief's complexity, misuse in Scotland is minimal. Legal practitioners reported complexity in calculating liabilities and past boundary-pushing around what counts as a "dwelling"; nevertheless, they emphasised that Scotland has seen far fewer avoidance issues than England. • Most stakeholders opposed its removal, arguing it supports development viability and maintains Scotland's competitiveness. Some suggested reforming MDR to better incentivise large-scale housing delivery.

Objectives

The stated purpose of the MDR was to ensure that a single transaction involving multiple dwellings is not taxed at a high tax band when the same dwellings purchased individually would have attracted a charge at lower tax bands (Scottish Government, 2013a). Without this relief, a bulk purchase could push the buyer into higher tax bands as if it were one large property, thereby discouraging bulk purchases.

Technical overview[10]

Description and administration

- A partial LBTT relief available when a buyer acquires more than one dwelling in a single transaction or a series of linked transactions.
- To claim the MDR, the buyer includes the claim in their LBTT return or amends the return within 12 months.

Timeframe and value

- In effect since LBTT's introduction on 1st April 2015.
- The relief's value depends on the transaction. With the MDR, LBTT due for a transaction is calculated on the average price per dwelling rather than the total price, and this effective tax per unit is multiplied by the number of dwellings, subject to a minimum total tax requirement known

[10] Sources: Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 5; Felix & Co. Accountants (2025); Macdonald (2023)

as the "minimum prescribed amount." The precise calculation relies on detailed formulas, which ensure that a minimum prescribed amount of at least 1/4 of the tax that would be due without the MDR is still paid. The tax rates and bands for residential property are used regardless of the number of dwellings being acquired, and assuming the transaction is not a linked transaction.

Eligibility criteria and limitations

- All of the following conditions must be met: (i) the transaction involves two or more dwellings, (ii) the dwellings are separate, self-contained, and suitable for residential use (regardless of whether the transaction also involves non-residential property), and (iii) the transaction is either a single purchase or a series of linked transactions. Leases are excluded.
- The MDR cannot be claimed if any of the following reliefs are available for a given transaction: (i) crofting community right to buy relief, (ii) group relief, (iii) reconstruction relief and acquisition relief, or (iv) charities relief. The MDR also cannot be claimed if reliefs (ii)-(iv) have been "withdrawn" from a previous return (referring to a situation where the buyer ceased to meet the qualifying conditions or was otherwise disqualified from a claim on the relief).
- If an MDR claim is made and circumstances change (e.g., one of the dwellings is sold off within a prescribed period[11]), the MDR can be withdrawn in part or full.

Interactions with other reliefs and mechanisms

Between non-residential/mixed-use properties and MDR

If a transaction includes multiple dwellings and non-residential property (e.g., an estate with cottages and farmland), the buyer can potentially claim MDR on the dwellings and still pay non-residential LBTT on the non-dwelling part. The formulas for MDR explicitly separate "remaining property" (the non-residential portion) from dwellings to integrate the two regimes, essentially ignoring the non-residential part when calculating the MDR for the dwellings. This interaction ensures that having a commercial element in a transaction does not nullify the benefit of the MDR on the residential part. Conversely, if one of the dwellings in an MDR claim is in fact a commercial unit, it cannot be counted towards the MDR. The overall effect is that non-residential land acquisitions and the MDR interact in mixed transactions to significantly reduce the tax payable on the dwelling part (via averaging on dwellings) while attracting the lower non-residential rates on the non-dwelling part (Revenue Scotland, 2025a interpretation).

Between MDR and ADS

When a buyer purchases multiple residential properties together, both the ADS and the MDR can potentially apply simultaneously. The law provides a formula to integrate them, with the MDR normally computed on the average consideration per dwelling and added up for each average consideration, and then the ADS is added to each average consideration per dwelling for only those dwellings on which the ADS is applicable. If all dwellings in the transaction are subject to ADS (none qualify as replacement of a main home) and the MDR is being claimed, then the ADS payable is effectively a flat surcharge on top of a base LBTT, which has been lowered by the MDR. However, when one or more dwellings are exempt from the ADS (e.g., one of the purchased units is intended as the buyer's new main residence, replacing an old one), the calculation must separate those out. In such cases, Revenue Scotland advises that the tax be computed for each dwelling individually: the ADS is added only to those dwellings that trigger it, and not to the one replacing a main residence (Revenue Scotland, 2024g interpretation).

[11] Whichever is the shorter of: (i) three years beginning with the effective date of the transaction, or (ii) the period from the effective date of the transaction to the date the buyer disposes of the dwelling(s) to a person not connected with the buyer (Revenue Scotland, 2022 interpretation).

Between MDR and 6+ dwellings ADS exemption

The 6+ dwellings ADS exemption adds an additional layer to the interaction described above between the MDR and the ADS. Crucially, even though a transaction eligible for the 6+ dwellings ADS exemption is considered "non-residential" for LBTT purposes, the MDR can still be claimed in this scenario while retaining the benefit of the non-residential rates. More precisely, even though a 6+ dwelling purchase is assessed at non-residential LBTT rates, the buyer is allowed to use the MDR mechanism to compute tax on an average unit price (subject to the 25% minimum) and then pay LBTT accordingly, all at non-residential rates. This presents a highly favourable scenario for the taxpayer, allowing them to benefit from non-residential rates (lower than residential rates), the MDR (enabling them to calculate LBTT using the average consideration per unit), and full relief from the ADS (due to the 6+ dwelling exemption) (Brodies, 2021).

Between MDR and first-time buyer relief

First-time buyer relief is not available whenever the ADS applies, as well as in the case of linked transactions outside of specific cases. This results in any realistic scenario where a buyer qualifies for MDR, excluding them from also qualifying for first-time buyer relief. This is because a true first-time buyer purchasing two or more dwellings, whether in a single purchase or a series of linked transactions, so as to qualify for MDR, would end the day owning more than one dwelling while not replacing a previous main residence (by definition). This would result in them being subject to the ADS and thereby disqualified from first-time buyer relief (Revenue Scotland, 2024e; Revenue Scotland, 2024c interpretations).

Comparative analysis

This section presents a comparative analysis of LBTT's MDR applicable to transactions in Scotland vis-à-vis SDLT in England and Northern Ireland and LTT in Wales.

Key differences between LBTT and SDLT

MDR provides a tax reduction when two or more dwellings are bought in a single transaction or a linked series of transactions. Under LBTT, MDR has been in place since the tax's inception, mirroring a relief originally available under SDLT. However, a major divergence emerged in 2024: the UK Government abolished MDR for SDLT, effective for transactions completing on or after 1st June 2024 (HM Revenue & Customs, 2025b). This policy change was enacted via the Finance Act 2024. In contrast, Scotland retained MDR for LBTT. A landlord or institution acquiring, for example, five dwellings in Scotland may still claim MDR to reduce LBTT, whereas the same purchase in England now attracts full SDLT without MDR. The abolition of MDR in England and Northern Ireland followed concerns that it was being used aggressively to shrink tax bills in cases that were not consistent with the relief's intended purpose, as evidenced by the large number of individuals claiming MDR who were losing tax tribunal cases (Tolcher, 2024). A consequence is that LBTT is now relatively more accommodating for bulk residential acquisitions.

Prior to its abolition, SDLT MDR operated identically to LBTT MDR in reducing total liability by taxing the average price per dwelling rather than the total price and then multiplying that tax amount by the number of dwellings. Crucially, both systems enforced a minimum tax floor to prevent the MDR from eliminating tax entirely on low-value transactions: in Scotland, at least 25% of the tax that would be due without MDR must still be paid, while the SDLT rule (prior to 2024) was that the effective rate could not fall below 1% of the total price. It is also notable that LBTT MDR never exempts the transaction from ADS, nor did SDLT MDR exempt the analogous 3% surcharge in England and Northern Ireland before being abolished (Revenue Scotland, 2025a interpretation; HM Revenue & Customs, 2025b).

Key differences between LBTT and LTT

Scotland and Wales both continue to offer a relief on acquisitions of multiple dwellings in their respective land taxes, with largely similar mechanics inherited from the original SDLT design. Under LTT, as in LBTT, a buyer of multiple dwellings in one transaction can elect to have the tax calculated on the average price per dwelling (and multiplied by the number of units), rather than on the aggregate price, potentially lowering the tax due if the dwellings are of uneven or lower individual value. Also like LBTT, Wales's MDR includes a minimum tax rule, although the precise rule differs from the LBTT equivalent: LTT MDR ensures a minimum effective rate of 1% of the total consideration for the dwellings (Welsh Government, 2025a). This compares to a 25% minimum prescribed amount of the no-relief LBTT in Scotland's case. Except for the minimum tax rule, LTT's MDR works identically to its LBTT counterpart: it prevents the purchaser from paying a higher rate of tax than if they had bought the properties separately, while guaranteeing that at least some tax (a floor amount) is paid. For instance, if an investor buys three houses in Wales for £600,000 total (averaging £200,000 each), LTT MDR would compute tax on £200,000 and triple it, subject to not going below 1% of £600,000 (i.e., £6,000). Similarly, LBTT would compute on the average price and ensure that at least 25% of the normal £600,000 tax is paid (£33,500 LBTT would be due on a £600,000 residential purchase, of which 25% is £8,337.50).

One distinction is that Wales recently tightened MDR in specific scenarios. In February 2025, regulations were passed to limit LTT MDR when the subsidiary dwelling exemption (SDE) from higher rates applies. The SDE exempts purchases of a main dwelling together with one or more subsidiary dwellings within the same building or grounds from the higher residential rates of LTT (analogous to LBTT's ADS – see below), provided that the main dwelling component makes up 2/3 or more of the total consideration. The rule change precludes the ability to claim both MDR and SDE at the same time (Welsh Government, 2024b; Welsh Parliament, 2025). Scotland, by comparison, does not have an explicit SDE equivalent. Under LBTT, an annex counts as a separate dwelling only if it is suitable for use as a dwelling; otherwise, it is part of the main dwelling (Revenue Scotland, 2024h interpretation). Where there is assessed to be only one dwelling in the purchase, the MDR is not available, and ADS is not triggered by the presence of the annex. Furthermore, under LTT, taxpayers can classify a 6+ dwelling transaction as either non-residential, in which case MDR cannot be claimed, or residential, in which case MDR may be claimed but the higher residential rates apply (Welsh Government, 2025c). No such choice in classification is available under LBTT.

Materiality analysis

The data indicates that all three reliefs within the scope of this review, including the MDR, are significant in terms of the overall level of LBTT revenues forgone. This report examines three reliefs in particular: the MDR, the ADS exemption for purchases of six or more dwellings, and first-time buyer relief. Table 24 and Figure 29 present the revenue forgone through each of these reliefs, both in monetary terms and as a share of total LBTT revenues forgone. Among the three, MDR consistently represents the largest share, accounting for between 7% and 15% of total revenues forgone. The 6+ dwellings ADS exemption has a more modest impact, generally around 3-4%. First-time buyer relief typically results in forgone revenues of a similar scale to the 6+ dwellings ADS exemption, though with greater year-to-year variation. As illustrated in Figure 29, forgone revenue from both the 6+ dwellings ADS exemption and first-time buyer relief usually amounts to around half the value of the MDR. However, in 2024/25, the difference between the three narrowed noticeably. Table 25 further highlights the significance of these reliefs when expressed as a proportion of overall LBTT revenues.

Findings from stakeholder engagement

Summary of findings

Interview findings suggest that the MDR is primarily used by large landlords, developers, and investors to make multi-property transactions. Smaller landlords are often unaware of or unaffected by the relief. Stakeholders benefiting from the relief reported that it was important in ensuring multi-property transactions are viable by reducing tax burdens, especially in build-to-rent and student housing projects.

It was, however, noted that other Scottish regulations in the housing market, such as rent controls, have overshadowed its benefits and discouraged large-scale development. While some find MDR complex to apply, misuse is minimal in Scotland. Most stakeholders who have used the relief oppose its removal, suggesting reforms should be made to better encourage large-scale housing delivery.

Usage and beneficiaries of MDR

The survey of individual investors highlighted limited awareness and understanding of the relief. As shown in Figure 10, when asked whether they were aware of MDR prior to taking part in the survey, only 21% (19 out of 92) responded ‘yes.’ The vast majority (73%) stated that they were not aware of it, while a further 7% said they did not know. In line with this, only 3% of respondents reported having previously claimed MDR, compared with 92% who had not, and 4% who were unsure (see Figure 11). This suggests that both awareness and actual use of the relief is extremely low.

Figure 10. Prior to this survey, were you aware of the multiple dwellings relief (MDR) under the LBTT? (n=92)

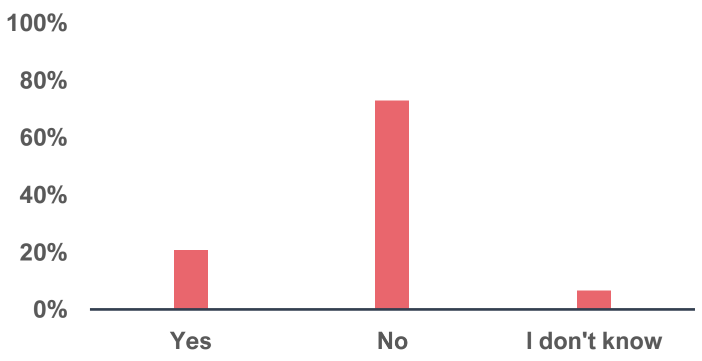
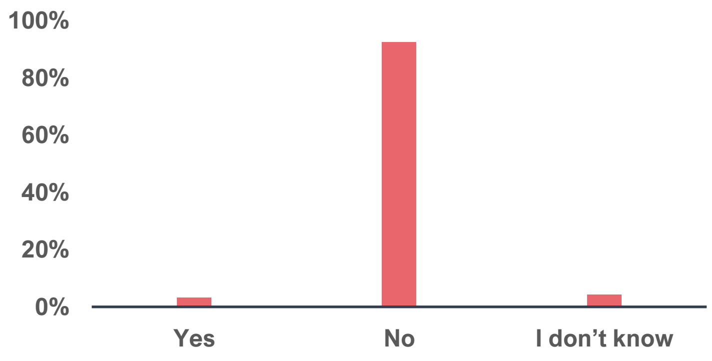
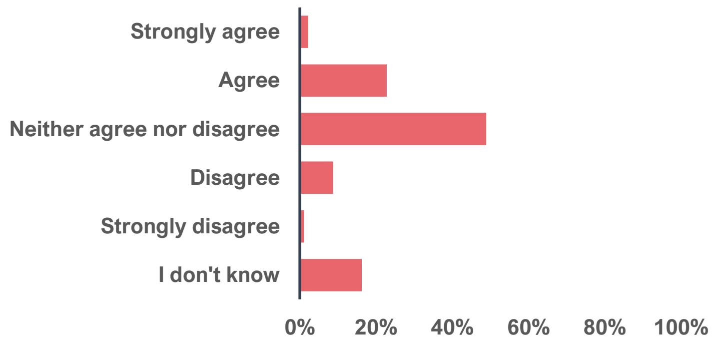


Figure 11. Have you ever claimed MDR? (n=92)



Furthermore, when asked to what extent investors agreed that the availability of MDR enabled them to undertake investments that they would otherwise be unable or unwilling to, responses were mixed but generally noncommittal. Around 25% either agreed (23%) or strongly agreed (2%), indicating that some investors perceived MDR as a supportive factor in investment decisions (see Figure 12 below). However, nearly half (49%) neither agreed nor disagreed, and a combined 10% disagreed or strongly disagreed, while 16% stated that they did not know.

Figure 12. To what extent do you agree with the following statement: "the availability of the MDR enables me to undertake investments that I would otherwise not be able or willing to"? (n=92)



When asked to expand on these answers, the qualitative responses reinforced the quantitative findings, showing that awareness among individual investors is generally low and its influence on investment decisions is limited. The majority of respondents said MDR does not affect their investment choices, either because they were unaware of it, are not eligible, or mainly invest in commercial or single-dwelling properties where the relief does not apply. Several admitted to having little understanding of how MDR works, with some confusing it with unrelated terms. Many noted that other factors, such as market conditions, financing, and long-term returns, play a far greater role in shaping their decisions. Overall, this indicates the relief's influence on investment decisions among investors with small portfolios is limited.

From the interview findings, there was a clear division in the use of MDR among stakeholder groups. Larger landlords, developers, and investors described the relief as essential in making many multi-property transactions financially viable. One landlord highlighted the numerous costs involved in purchasing an already rented property, such as higher mortgage payments, insurance, compliance checks, and transaction taxes, which can sometimes exceed rental income. Applying MDR helps to reduce the overall tax burden, making it financially feasible to purchase multiple rented properties that might otherwise fail to meet lenders' mortgage stress tests. A solicitor observed that the relief is particularly helpful in transactions involving build-to-rent and student accommodation developments, noting that it often influences purchase decisions in those markets. Overall, stakeholders generally agreed that MDR primarily benefits larger commercial landlords, developers, and investors, and that it is especially valued by those who are able to make frequent use of it.

In contrast, many smaller landlords showed limited awareness or understanding of the relief. Estate agents and solicitors with smaller-scale clients also reported minimal exposure to MDR, describing it as rarely relevant to their typical transactions since few clients purchase multiple properties at once. Several interviewees commented that most landlords are too small to benefit from the relief, as they typically buy and sell one property at a time. Some landlords also appeared to confuse MDR with the 6+ dwellings ADS exemption, suggesting low awareness and understanding of the relief's specific purpose. Another stakeholder noted that the number of MDR claims is relatively low and agreed that the relief may not be well understood by many taxpayers.

Objectives

Some investors and developers believed that the MDR had largely accomplished its goal by fostering investment in the private rented sector through smoothing tax liabilities and reducing the overall tax burden. Stakeholders who had used the relief felt it aligned institutional investors with private individuals and homeowners, thereby levelling the playing field. They also highlighted that, due to the progressive structure of LBTT, the most significant benefits of MDR accrue to higher-value properties, where the absolute tax relief is greatest. Several investors noted that MDR helps reduce the upfront costs associated with investment transactions, which can, in turn, support activity across the private rental sector. They explained that higher tax burdens constrain the prices investors can offer for portfolios or blocks of flats while maintaining target yields, which may discourage both investment and seller participation. A solicitor interviewed also commented that the relief acts as a useful mechanism to encourage large-scale investment.

However, some investors who had used the relief did not view MDR as a positive incentive, but rather as the removal of a barrier, an absence of a disincentive rather than an active stimulus to invest. Many stakeholders acknowledged the benefits of the relief but stressed that its potential positive effects have been overshadowed by wider policy developments, most notably rent controls introduced by the Scottish Government. These measures were regarded as having a far greater impact on investor behaviour, dampening interest in large-scale residential investment and reducing confidence in the Scottish market. It was noted that it could take “five years of sensible tax policy to enable people to build back up confidence to invest in new developments in Scotland.” One stakeholder also questioned the fairness of excluding multiple purchases made across the year from MDR eligibility, when equivalent transactions linked in a single event would qualify for the relief.

Complications and avoidance

A few stakeholders observed that calculating the amount of tax due can be complex and requires a degree of expertise to claim correctly. One stakeholder from the legal sector explained that many conveyancers are encountering particular circumstances for the first time and are unfamiliar with all of the complexities of LBTT legislation. They described undertaking substantial advisory work for smaller firms, often to determine either the appropriate LBTT liability or the optimal approach in complex cases, given the legislation’s complexity. They suggested that clearer and more detailed guidance could help address some of these challenges.

Another issue discussed was tax avoidance, particularly activities observed in England under SDLT. One stakeholder noted a previous history of compliance cases and boundary-pushing by agents regarding MDR. Stakeholders provided examples of individuals stretching the definition of a dwelling to claim MDR, for instance, treating a shed or annex as a separate unit, contrary to the policy’s intent. It was noted that the equivalent SDLT relief had been withdrawn in England due to widespread misuse, with very few legitimate claims. However, stakeholders emphasised that the situation in Scotland differs significantly, with far lower levels of avoidance activity and no evidence of similar practices being reported.

Alternative approaches

Stakeholders who had made use of the relief were strongly opposed to its removal, as has occurred in England and Northern Ireland under SDLT. They argued that abolishing MDR and increasing tax liabilities would seriously undermine development viability in Scotland. Several stakeholders cited the removal of MDR in England as having caused significant challenges to the viability of new investment schemes there. One stakeholder mentioned they were preparing case studies to support a campaign advocating for its reinstatement. A number of investors noted that the continued availability of MDR in Scotland currently provides a competitive advantage over England, albeit one of the few remaining advantages Scotland enjoys. One stakeholder remarked that "if it were removed, it would be another nail in the coffin of residential development viability in Scotland." Another criticised the removal of MDR from SDLT as an excessive anti-avoidance measure, likening it to "a sledgehammer to crack the wrong nut."

One solicitor commented that they had not yet observed clear evidence of negative investment impacts following MDR's removal in England. However, they acknowledged that it would be difficult to prove a negative impact, as one cannot know whether certain projects would have gone ahead without MDR. Nonetheless, they concluded that, given current property market problems, in particular rent control policies in Scotland, this would be an especially poor time to remove MDR.

Some investors offered alternative ways to reform MDR to better support private rental investment. They suggested the relief could be redesigned to accelerate large-scale homebuilding, incentivising developers to build at scale to meet housing demand. One proposal was to structure MDR so that tax relief grows with the number of homes built, encouraging larger schemes that can drive housing supply. Another investor proposed linking LBTT to the definition of build-to-rent properties used for rent control exemptions. Under this model, build-to-rent developments would attract a separate LBTT rate, removing the need for MDR altogether.

ADS and 6+ Dwellings Exemption

Summary

This table provides a summary of our analysis of Scotland's ADS and 6+ dwellings exemption.

Objectives	• ADS: To reduce competition for first-time buyers by making second and subsequent home purchases more expensive. (Scottish Parliament, 2016). • ADS: To further raise tax revenues in order to support Scottish public services (Scottish Government, 2021c). • 6+ dwellings ADS exemption: To promote large-scale rental housing provision and avoid deterring institutional investment in build-to-rent developments (Scottish Parliament, 2016).
Technical overview	• ADS: A supplemental tax charge on purchases of additional residential properties, payable on top of the standard LBTT (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 2A). • 6+ dwellings ADS exemption: A provision that exempts transactions involving six or more residential dwellings from paying the ADS (Land and Buildings Transaction Tax (Scotland) Act 2013, Sch 2A). • Note that in addition to the specific ADS exemption, transactions of six or more dwellings are also subject to non-residential LBTT rates (Land and Buildings Transaction Tax (Scotland) Act 2013, s 59).
Interactions with other reliefs and mechanisms	ADS: • With non-residential/mixed: For commercial transactions with no dwellings involved, no ADS is applied. For mixed transactions, ADS may be payable if the residential dwelling meets the ADS conditions. • With MDR: When a buyer purchases multiple residential properties together, both the ADS and the MDR can potentially apply simultaneously (Revenue Scotland, 2024g interpretation). • With first-time buyer relief: First-time buyer relief is not available whenever the ADS applies (Revenue Scotland, 2024e interpretation). 6+ dwellings ADS exemption: • With non-residential/mixed: When a buyer purchases six or more separate dwellings in a single transaction, LBTT is calculated using the non-residential tax bands, and no ADS is payable. The 6+ dwellings ADS exemption still applies if the transaction includes a non-residential element (Revenue

	Scotland, 2024d interpretation). • With MDR: When a buyer purchases multiple residential properties together, both the 6+ dwellings ADS exemption and the MDR can potentially apply simultaneously (Revenue Scotland, 2024g interpretation). • With first-time buyer relief: First-time buyer relief is not available whenever the 6+ dwellings ADS exemption applies (Revenue Scotland, 2024e interpretation).
Comparative analysis	ADS: • The 8% ADS makes Scotland's supplemental charge the highest in the UK as of 2025. The equivalent SDLT higher rates for additional dwellings in England and Northern Ireland is currently five percentage points above standard residential rates, as are Wales's higher LTT rates for purchases of additional property (HM Revenue & Customs, 2024; Welsh Government, 2024a). 6+ dwellings ADS exemption: • Like LBTT, SDLT treats acquisitions of six or more dwellings as non-residential transactions, thereby granting relief from the additional homes SDLT and LTT higher rates (HM Revenue & Customs, 2025a). • Under LTT, taxpayers may classify transactions involving six or more dwellings as either residential, potentially qualifying for MDR, or non-residential, whereby lower rates would apply. When non-residential treatment is chosen, the result is the same as under LBTT (Welsh Government, 2024b).
Materiality analysis	ADS (Revenue Scotland, 2025c): • Net ADS revenue has increased over time, rising from 17% to 22% of total LBTT receipts over the period between 2016/17 and 2024/25. This is mainly due to the rise in the ADS rate. • Between 17% and 20% of residential submissions included an ADS charge. • Both the number of returns claiming ADS-linked reliefs and the value of revenue forgone have steadily increased over the period. The share of overall forgone revenue reached 23% of the total in 2024/25. 6+ dwellings ADS exemption: • 6+ dwellings ADS exemption accounted for 3-7% of total foregone revenue since 2018/19. It was similar to that of first-time buyer relief, at around half the value of MDR (Revenue Scotland, 2025c).
Findings from stakeholder engagement	• Stakeholder engagement found the ADS is unpopular, especially among landlords and small investors, who see it

	as a major barrier to market entry and investment, contributing to reduced housing supply and higher rents. The 6+ dwellings ADS exemption was viewed as effective in enabling large-scale investment but criticised for disproportionately benefitting institutional investors over smaller landlords, with concerns about market concentration and inequality. • Large investors considered the 6+ dwellings ADS exemption essential for the viability of portfolio purchases, while smaller landlords viewed it as irrelevant and unfair, excluding most landlords from relief and limiting small-scale investment opportunities. Some highlighted that this could slow small development activity and create threshold effects, with landlords seeking to meet exemptions by altering purchase behaviour. • Views on reform were mixed. Some supported lowering the exemption threshold to broaden access for smaller landlords, while large investors suggested raising it to better target institutional-scale development. Others proposed exempting long-term rental properties or introducing time-limited ADS holidays to stimulate activity, but cautioned that complementary support for first-time buyers would be needed.

Objectives

ADS: Introduced in April 2016, the ADS is an extra charge on purchases of additional residential properties (such as second homes or buy-to-let rentals) aimed at reducing competition for first-time buyers by making second and subsequent home purchases more expensive. It was partly motivated by the UK Government's announcement that it would introduce a higher rate of SDLT on the purchase of additional residential properties. It was recognised that this could make Scotland a more attractive investment destination for additional residential properties relative to the rest of the UK, which, in turn, might make it more difficult for first-time buyers in Scotland to buy a property (Scottish Parliament, 2016). The Scottish Government also makes explicit the ADS's role in raising revenue for public services in Scotland (Scottish Government, 2021c). This rationale is especially relevant given the Block Grant Adjustment, as overall Scottish Government tax revenues will decrease if LBTT revenues do not keep pace with SDLT revenues (Scottish Fiscal Commission, 2020).

6+ dwellings ADS exemption: This refers to a full relief from the ADS that applies where six or more dwellings are purchased in a single transaction, introduced in the 2016 LBTT amendment, which established the ADS. The impetus for this relief was to ensure that the ADS was able to "support home ownership and first-time buyers without discouraging significant and beneficial investment in residential property for rent" (Scottish Parliament, 2016).

Technical overview[12]

Description and administration

ADS:

- A supplemental tax charge on purchases of additional residential properties (e.g., second homes or buy-to-let houses), payable on top of the standard LBTT.
- The ADS is applied via LBTT return – buyers declare the purchase of an additional dwelling and calculate the ADS accordingly, with payment due at the same time as LBTT.

6+ dwellings ADS exemption:

- A provision that exempts transactions involving six or more residential dwellings from paying the ADS.
- Note that in addition to the specific ADS exemption, transactions of six or more dwellings are also subject to non-residential LBTT rates.
- This is automatic – no special claim is needed beyond correctly categorising the transaction on the LBTT return.

Timeframe and value

ADS:

- In effect since 1st April 2016 (for transactions on or after that date).
- The initial ADS rate was 3% of the purchase price; this was raised to 4% on 25th January 2019, then to 6% from 16th December 2022, and most recently to 8% effective from 5th December 2024.
- £257.8 million in gross ADS was declared due in 2024-2025, up from £237.9 million in 2023-2024, reflecting the increase in the ADS rate from 6% to 8% (Revenue Scotland, 2025h).

6+ dwellings ADS exemption:

- The non-residential treatment of transactions involving six or more dwellings has been in force since LBTT's introduction on 1st April 2015. The specific exemption for ADS payments then came into effect with the ADS's introduction on 1st April 2016.
- The value of this exemption from the perspective of buyers lies in its potential for large tax savings on bulk residential acquisitions. First, the ADS (8%) is fully avoided. Second, LBTT is capped at 5% due to lower non-residential rates.

Eligibility criteria and limitations

ADS:

- The ADS is payable when: (i) the buyer purchases a residential property in Scotland and they already own one or more residential properties anywhere in the world; (ii) where there are two or more buyers, if any of the buyers already owns one or more residential properties anywhere in the world; and (iii) the buyer is not replacing or selling their only or main residence. Note that the ADS does not apply to non-residential transactions.
- The ADS will not apply if: (i) the buyer only owns one dwelling at the end of the effective date

[12] Source: Land and Buildings Transaction Tax (Scotland) Act 2013

of the transaction, (ii) the purchase price of the property is less than £40,000, (iii) the buyer's additional property has a value less than £40,000, (iv) the buyer's other property is a share in a jointly owned property and the value of that share is less than £40,000, or (v) the buyer disposes of their previous only or main residence in the 36 months before purchasing their new main residence.
- From 1st April 2024, the ADS can be reclaimed if: (i) the previous main residence is sold within 36 months of the new property purchase; (ii) the property sold was the buyer's only or main residence in the 36 months before purchasing their new main residence; and (iii) the buyer has lived in their new main residence, on which they paid the ADS. The 36-month grace period was previously 18 months.

6+ dwellings ADS exemption:

- The purchase must involve six or more residential dwellings in a single transaction.
- Although such transactions are classified as non-residential for LBTT purposes, this does not prevent the buyer from claiming the MDR. Where both the 6+ dwellings ADS exemption and the MDR are claimed, the ADS is not included in the MDR calculation.

Interactions with other reliefs and mechanisms

Between non-residential/mixed-use properties and ADS

A transaction deemed fully "non-residential" under LBTT is outside the scope of the ADS. For purely commercial transactions with no dwellings involved, this means that no ADS is applied. A notable case is mixed-use transactions, e.g., buying a building that has both a shop and a flat, or a house with substantial land or a commercial element. By statute, a mixed transaction is taxed as non-residential, so the base LBTT is at the lower non-residential rates. However, the ADS may still be payable in a mixed transaction: if the transaction includes a residential dwelling that meets the conditions for ADS to be payable (e.g., the buyer is not replacing their main residence, its value is £40,000 or higher), the 8% ADS is charged on the portion of the consideration attributable to that dwelling. For example, if someone buys a £1 million property that is half commercial, half dwelling, which meets the conditions for ADS to be payable, LBTT is computed under non-residential bands on the £1 million, but the 8% ADS still applies to the £500,000 dwelling portion (Revenue Scotland, 2024c interpretation).

Between non-residential/mixed-use properties and 6+ dwellings ADS exemption

When a buyer purchases six or more separate dwellings in a single transaction, Scottish law treats the transaction as non-residential for LBTT purposes. The immediate consequences are twofold: (1) LBTT is calculated using the non-residential tax bands, and (2) full relief from the ADS is granted, meaning no ADS is payable. This mechanism is effectively a special relief or status that large residential portfolio transactions enjoy. However, the 6+ dwellings ADS exemption still applies if the transaction includes a non-residential element, provided that it also involves six or more residential dwellings (as per the conditions of the relief). In such cases, no ADS is paid on either the residential portion or the non-residential portion – the former due to the 6+ dwellings ADS exemption and the latter due to the ADS not being payable on the non-residential portions of mixed transactions (see above) (Revenue Scotland, 2024d interpretation).

Between MDR and ADS

When a buyer purchases multiple residential properties together, both the ADS and the MDR can potentially apply simultaneously. The law provides a formula to integrate them, with the MDR normally computed on the average consideration per dwelling and added up for each average consideration, and then the ADS is added to each average consideration per dwelling for only those dwellings on which the ADS is applicable. If all dwellings in the transaction are subject to ADS (none qualify as replacement of a main home) and the MDR is being claimed, then the ADS payable is effectively a flat surcharge on top of a base LBTT, which has been lowered by the MDR. However, when one or more dwellings are exempt from the ADS (e.g., one of the purchased units is intended as the buyer's new main residence, replacing an old one), the calculation must separate those out. In such cases, Revenue Scotland advises that the tax be computed for each dwelling individually: the ADS is added only to those dwellings that trigger it, and not to the one replacing a main residence (Revenue Scotland, 2024g interpretation).

Between MDR and 6+ dwellings ADS exemption

The 6+ dwellings ADS exemption adds an additional layer to the interaction described above between the MDR and the ADS. Crucially, even though a transaction eligible for the 6+ dwellings ADS exemption is considered "non-residential" for LBTT purposes, the MDR can still be claimed in this scenario while retaining the benefit of the non-residential rates. More precisely, even though a 6+ dwelling purchase is assessed at non-residential LBTT rates, the buyer is allowed to use the MDR mechanism to compute tax on an average unit price (subject to the 25% minimum) and then pay LBTT accordingly, all at non-residential rates. This presents a highly favourable scenario for the taxpayer, allowing them to benefit from non-residential rates (lower than residential rates), the MDR (enabling them to calculate LBTT using the average consideration per unit) and full relief from the ADS (due to the 6+ dwellings exemption) (Brodies, 2021).

Between ADS and 6+ dwellings exemption

Where six or more separate dwellings are acquired in a single transaction, Scottish law provides that the purchase is treated as non-residential for LBTT purposes. As a result, no ADS is payable when the 6+ dwellings condition is met (Revenue Scotland, 2025b interpretation).

Between ADS and first-time buyer relief

As noted above, first-time buyer relief is not available whenever the ADS applies (Revenue Scotland, 2024e interpretation).

Between 6+ dwellings ADS exemption and first-time buyer relief

No interaction is possible between the first-time buyer relief and the 6+ dwellings ADS exemption, as the first-time buyer relief is only available for purchases consisting entirely of residential property. The 6+ dwellings ADS exemption would result in the transaction being classified as non-residential, thereby disqualifying the buyer from first-time buyer relief (Revenue Scotland, 2024e; Revenue Scotland, 2025b interpretations).

Comparative analysis

This section presents a comparative analysis of the LBTT ADS and 6+ dwellings exemption applicable to transactions in Scotland, vis-à-vis SDLT in England and Northern Ireland, and LTT in Wales.

Key differences between LBTT and SDLT

Both Scotland and England levy an extra tax on purchases of additional residential properties (which may take the form of second homes or buy-to-let investments), but the rates and some rules differ substantially. Scotland's ADS was introduced in 2016 and is added on top of LBTT at a percentage of the full price for any purchase of a residential property where the buyer already owns one or more dwellings (and is not replacing their main residence). Initially set at 3%, the ADS was later raised to 4% in 2019 and then 6% in December 2022 (Revenue Scotland, 2025g). Most recently, in December 2024, the ADS in Scotland increased further to 8% of the purchase price. This means purchasing an additional property in Scotland now incurs a substantial levy, with a £300,000 second home attracting £24,000 of ADS alone (on top of the underlying LBTT). The Scottish Government has justified this as a measure to protect the market for first-time buyers and raise revenue (Adam and Phillips, 2025).

The 8% ADS makes Scotland's supplemental charge the highest in the UK as of 2025. In England and Northern Ireland, the equivalent SDLT higher rates for additional dwellings began at three percentage points above standard residential rates in April 2016, mirroring Scotland's initial ADS rate (HM Revenue & Customs, 2022). The higher rates remained at this level until late 2024, when the UK Government increased them by two percentage points. As of October 2024, England and Northern Ireland's SDLT higher rates on additional dwellings is five percentage points above standard residential rates. So, for example, an English buy-to-let purchase of £300,000 now incurs a £15,000 higher rate charge (5%) versus £24,000 (8%) on the same in Scotland. The policy rationale in England and Northern Ireland is similar to that in Scotland: to curb demand in second homes and buy-to-let properties and raise revenue (HM Treasury, 2016; HM Revenue & Customs, 2024).

Despite the rate gap, many operational rules of the ADS and equivalent SDLT higher rates are alike. In both regimes, if the buyer sells their previous main home within a fixed period, they can claim a refund of the additional tax. A previous difference, which has now been eliminated, was the refund window: SDLT allows 36 months to dispose of the old home, whereas LBTT originally allowed only 18 months. However, Scotland extended its refund period to 36 months for transactions with effective dates on or after 1st April 2024. Another commonality is the £40,000 value threshold: both taxes exempt additional purchases under £40,000 (and leases under certain terms) from the supplemental charge. Additionally, both treat married couples (and certain trusts) as a single unit – if either spouse would own two properties as a result of the transaction, the supplement applies. A key distinction between the two regimes is that under SDLT, only spouses and civil partners are treated as a single unit. Cohabiting partners are assessed individually, meaning the supplement applies only if the buyer personally acquires an additional property. Under LBTT, by contrast, cohabitees (defined as those living together "as though married") are treated as one economic unit alongside spouses and civil partners, so the supplement is triggered if either partner would own multiple dwellings after the transaction (Revenue Scotland, 2024c interpretation; HM Revenue & Customs, 2025a).

It is worth noting that SDLT imposes an extra 2% on non-UK residents buying residential property (even if it is their sole UK property) (HM Revenue & Customs, 2025a). Scotland has thus far not implemented a non-resident LBTT surcharge (Masala, 2025). This means a non-UK resident who buys a second home in Scotland pays 8% ADS – the same as a local investor. In England or Northern Ireland, the same buyer would effectively pay an additional 7% (5% because it is an additional dwelling and 2% because they are a non-resident) on top of normal SDLT rates. The SLDT surcharge also applies when a major interest in a freehold residential property valued at £40,000 or more is purchased, and one or more of the buyers is a non-UK resident. This means the 2% surcharge can still be triggered even if some buyers are UK residents while others are not (HM Revenue & Customs, 2025c).

Both tax systems provide that buying a large number of dwellings in one transaction can be exempted from paying the supplemental ADS charge and are treated as non-residential. In Scotland, if six or more dwellings are acquired in a single transaction, the law deems the entire transaction non-residential for LBTT purposes, such that non-residential LBTT rates apply (which are lower than residential rates at those prices) and no ADS is charged since. SDLT had a similar rule: a purchase of six or more dwellings may be taxed at non-residential SDLT rates, thereby avoiding the higher rates on additional dwellings entirely. Until mid-2024, English and Northern Irish buyers actually had a choice: they could either claim MDR on a bulk purchase or elect to have it treated as non-residential (in practice, choosing whichever yielded less tax). As part of the 2024 reforms that abolished MDR, this choice was removed – now, SDLT mandates non-residential rates for 6+ dwellings (HM Revenue & Customs, 2025a). The previous ineligibility for MDR if English or Northern Irish buyers were treating their purchase as non-residential differed from Scotland's system, which allows for MDR to be claimed while also benefiting from non-residential rates in a 6+ dwellings transaction.

Key differences between LBTT and LTT

When it comes to taxing second homes and buy-to-let purchases, Scotland and Wales have taken similar approaches, with differences mainly in the rate level and timing of changes. Scotland's ADS and Wales's higher LTT rates for purchases of additional property both launched with a 3% rate (three percentage points above main rates in the case of Wales), aligning with the SDLT supplemental charge, which was in force in Wales since it was introduced in 2016, when the Scottish ADS was also introduced, until LTT came into effect in 2018. Over time, each government increased their separate rates. Scotland was the first to raise the rate to 4% from January 2019 onwards. Wales followed by raising the rate to 4% (effective 22nd December 2020), mirroring Scotland's rate. Scotland again raised its rate in December 2022, to 6%, and in December 2024, to 8%. Wales raised its rate to 5% in December 2024, achieving parity with SDLT higher rates at the time (Welsh Government, 2024a; Revenue Scotland, 2025g). As such, there currently exists a difference of three percentage points between LBTT's ADS and LTT's higher rates.

Both regimes share the same basic framework for when the additional charge applies: generally, if at the end of the day of purchase the buyer owns two or more residential properties, the additional dwelling supplement is due. There are mirror provisions on refunds if the former main residence is sold within a window of 36 months, on a £40,000 minimum property value to trigger the charge, and on treating married couples as one unit. However, unlike Scotland's LBTT, which also deems cohabitees as one economic unit and applies the supplement accordingly, LTT excludes them from joint treatment (Revenue Scotland, 2024c interpretation; Welsh Government, 2025b). One noteworthy Wales-specific element is the SDE: if a buyer purchases a main home that includes a small second dwelling (e.g., a self-contained annex or a second house on the grounds) below a certain value relative to the main home, that subsidiary dwelling can be disregarded for the higher rates – meaning the transaction is charged at main rates, not higher rates (Welsh Government, 2024b). Scotland has a similar concept, although, as discussed above, the mechanism differs.

Unlike LBTT, LTT does not automatically treat acquisitions of six or more dwellings as non-residential transactions. Taxpayers may choose how a transaction is classified for tax purposes. If it is treated as residential, higher rates apply, although MDR may be available. Alternatively, the transaction can be classified as non-residential, which removes the additional dwellings supplement and typically results in a lower base tax rate. For example, a portfolio of six houses in Wales for £1.2 million would be charged LTT at commercial rates (0% up to £225,000, 1% on £225,001 to £250,000, 5% on £250,001 to £1,000,000, and 6% on the remaining value) with no additional property supplement – a significant tax reduction relative to treating them individually. Thus, investors in both countries have a clear tax incentive to structure deals such that they cross the six-dwelling threshold where feasible. One nuance, however, is that Scotland allows for combining the 6+ dwellings ADS exemption with MDR. Wales's guidance instead presents buyers with a choice: where six or more dwellings are acquired, the taxpayer can either claim MDR such that the transaction is treated as residential and therefore subject to higher residential rates, or MDR is not claimed, and the total consideration is subject to non-residential property rates (Welsh Government, 2025c).

Materiality analysis

ADS

The data indicates that ADS accounts for a substantial share of overall LBTT revenue. Net ADS revenue, calculated as gross ADS revenue minus reclaimed amounts, has increased over time, rising from 17% to 22% of total LBTT receipts over the period between 2016/17 and 2024/25 (see Table 26 and Figure 30). This is likely due in part to the rise in the ADS rate over the period, which has increased from 3% at its introduction to the current 8%. In terms of returns, the absolute number remained relatively stable before rising sharply in 2021/22. Since then, the total number of returns has declined consistently each year. However, when viewed relative to the total number of residential claims, the proportion of LBTT returns including an ADS charge has remained broadly stable throughout the period, with between 17% and 20% of residential submissions subject to ADS.

Reliefs linked to ADS represent a substantial component of total forgone revenue. Both the number of returns claiming ADS exemption and the value of revenue forgone have steadily increased over the period. Notably, forgone revenue from ADS has increased not only in absolute terms but also as a proportion of total forgone revenue, rising from just 3% in 2015/16 to 23% in 2024/25 (see Table 27 and Figure 31). Again, this increase in forgone revenue is likely driven by the higher ADS rates on second homes introduced over the period, which have meant that exemptions to paying ADS have a more significant impact on forgone revenues.

Comparing 6+ dwellings ADS exemption with MDR and first-time buyer reliefs

The data indicates that, relative to other reliefs considered in this review, the 6+ dwellings ADS exemption accounts for a substantial proportion of total LBTT revenues forgone. Table 24 and Figure 29 present the revenue forgone through each of these reliefs, both in monetary terms and as a share of total LBTT revenues forgone. Among the three, MDR consistently represents the largest share, accounting for between 7% and 15% of total revenues forgone. The 6+ dwellings ADS exemption has a more modest impact, generally around 3-4%. First-time buyer relief typically results in forgone revenues of a similar scale to 6+ dwellings ADS exemption, though with greater year-to-year variation. As illustrated in Figure 29, forgone revenue from both the 6+ dwellings ADS exemption and first-time buyer relief usually amounts to around half the value of MDR. However, in 2024/25, the difference between the three narrowed noticeably. Table 25 further highlights the significance of these reliefs when expressed as a proportion of overall LBTT revenues.

Findings from stakeholder engagement

Summary of findings

The ADS was unpopular among many stakeholders and was viewed by some as a major barrier to entry for landlords and small investors partaking in the property market. Many argued it deters investment, reduces housing supply and raises rents. The 6+ dwellings ADS exemption was seen as successful in encouraging large-scale investment but criticised for favouring institutional investors over smaller landlords, potentially concentrating ownership and worsening inequality. Views on reform varied, with some calling for lowering or abolishing the threshold to support smaller investors, while others suggested raising it to better target large developments.

Stakeholder views on ADS

Among interview participants, the ADS was widely regarded as the most unpopular aspect of LBTT, especially among landlords. Many landlords described the ADS as the primary factor influencing property purchase decisions, with the standard LBTT rate having comparatively little impact. The ADS was seen as a significant barrier to entry for those seeking to enter the buy-to-let market, with stakeholders suggesting that its high rate discourages smaller investors and landlords. One stakeholder highlighted that the ADS also applies to purchases of empty properties intended for renovation and re-entry into the market, acting as a deterrent to increasing housing supply. Stakeholders also pointed out that the ADS disproportionately affects low-value properties relative to the rental income they can generate, leading investors to avoid these properties.

While some stakeholders acknowledged the ADS's role in discouraging second-home purchases and supporting first-time buyers, there was also recognition that it impacts properties intended for rental. Landlords noted that if rental income cannot cover the costs of purchasing and maintaining a property, landlords have little incentive to buy or retain properties. This consequent reduction in landlords and investment was said to have wider consequences, including reduced worker mobility, increased tenant evictions, and rising rents. One respondent observed that the additional costs associated with ADS are ultimately passed on to tenants through higher rents. As a result, some described the ADS as effectively a “tenant tax” rather than a landlord tax.

Effectiveness of 6+ dwellings ADS exemption in meeting objectives

Stakeholders generally agreed that the relief achieved its intended objective of supporting larger-scale investment in the residential and private rented sectors. One larger landlord reported that the relief had a significant practical impact on investment decisions in Scotland, highlighting that saving 8% on each property when purchasing six or more homes translates into a substantial overall saving. They confirmed that this exemption directly affected their organisation, explaining that they had purchased two portfolios of more than six properties and that neither purchase would have been viable without the ADS exemption. They believed the measure encourages transactions that might not otherwise take place. Similarly, a solicitor observed that many projects would not proceed without the six-or-more exemption.

Another investor described the exemption as a “significant factor” in their investment decisions and a positive incentive that makes Scotland more attractive compared to England, primarily because of differences in tax rates. Other large investors said the exemption was “taken as given” and argued that applying the ADS charge to bulk transactions would undermine viability and penalise developers who contribute to housing supply. They considered it appropriate that such investors do not pay ADS, as they are adding to, rather than withdrawing from, the available stock. Several stakeholders noted that the relief also has indirect benefits for tenants, as it enables investors to acquire properties under the ADS exemption, helping to maintain or increase housing supply in the rental sector.

However, some stakeholders pointed out that the overall impact of the relief may be limited by other policy measures, particularly rent controls, which they view as discouraging investment. One landlord also suggested that the relief is often used by landlords transferring personal portfolios into limited companies to avoid ADS, meaning it may influence restructuring decisions more than new investment. One stakeholder noted that whilst there was the potential for compliance risks, they considered the likelihood of issues to be lower than for the MDR due to the higher investment threshold.

Stakeholder criticism of 6+ dwellings ADS exemption

Despite stakeholders acknowledging that the relief achieved its intended aim of supporting large-scale investment, it attracted significant criticism, particularly from smaller landlords and estate agents. Many viewed the relief as unfairly benefiting large landlords and institutional investors at the expense of smaller ones. Several noted that this approach seemed designed to squeeze smaller landlords out of the market. Multiple stakeholders highlighted that the vast majority of Scottish landlords own only one or two additional properties, making the 6+ exemption largely irrelevant to them. For most landlords, opportunities to invest at the required scale are rare, as few purchase properties in bulk. Some argued that this effectively meant only smaller landlords were liable for ADS, while large commercial investors, who they felt should pay more, were exempt. Stakeholders observed that the current policy excluded many potential investors who could afford only a few properties at a time. This, they warned, limited investment opportunities and created problems for smaller landlords wishing to sell their portfolios. For instance, a landlord with five rented properties might struggle to find a buyer because the transaction would not qualify for the tax exemption.

Several participants raised further concerns that heavily taxing these smaller investors could slow the progress of small developments, where pre-sales are essential for financial viability. Others worried about a potential concentration of property ownership, with the relief strengthening the position of large investors and exacerbating wealth inequality in the property market, contrary to Scotland's wider social and economic objectives.

A number of stakeholders also believed the Scottish Government was deliberately discouraging small or part-time landlords. One estate agent suggested that professional landlords are more compliant with tax and housing legislation and more likely to seek professional advice, which may explain the government's preference for larger, institutional landlords. However, they noted a growing trend of smaller landlords aspiring to operate professionally. Other stakeholders expressed concern that this shift could lead to a rental market dominated by corporate, profit-driven ownership models, reducing the quality of landlord-tenant relationships. They argued that corporate landlords tend to prioritise profit, often resulting in higher rents and weaker tenant protections.

Stakeholders in rural areas also questioned the relevance of the 6+ rule, given that transactions of such scale are exceedingly rare outside urban markets. Several noted that small-scale buy-to-let investors have already been leaving the market due to other policy changes, such as restrictions on mortgage interest deductions and additional council tax charges on second homes. Lawyers raised further criticisms, describing the 6+ exemption as somewhat arbitrary. They questioned why the number of dwellings or buildings on a property should determine tax treatment, noting that definitions of what constitutes a "dwelling" can vary and produce inconsistent outcomes.

Some interviewees also reported that the exemption may be distorting the market around the threshold, which is based on the number of dwellings acquired in a single transaction rather than their value. A few provided anecdotal evidence of "bunching," with landlords attempting to reach six properties to qualify for the exemption. One estate agent described advising a landlord planning to buy five properties to instead purchase a sixth to save £50,000 in ADS. Some stakeholders also reported evidence of landlords waiting until they could complete a six-property transaction before proceeding with a purchase. However, legal professionals did not report consistent evidence of such threshold effects in practice.

Appropriateness and potential changes to 6+ dwellings ADS exemption

Views on the appropriateness of the 6+ dwellings ADS exemption threshold varied considerably across stakeholder groups. Several estate agents and landlords suggested that lowering the threshold to around two, three, or four properties could help make the housing market more fluid, encourage smaller-scale transactions, and make it easier for tenants to remain in their homes when ownership changes. However, most landlords felt that even a reduction to two or three properties would have little effect, as they typically do not purchase more than one property at a time. Many believed the threshold should instead be reduced to one or zero – effectively abolishing the ADS. Others proposed exempting all properties intended for long-term rental rather than use as second or holiday homes, arguing that landlords purchasing homes to provide accommodation for tenants should be supported.

Conversely, one large-scale investor considered a six-property threshold to be very low, noting that their typical projects involve 100 apartments or more, while even smaller institutional investors often manage portfolios of 35-100 homes. They suggested that a higher threshold and more tailored relief for institutional investors could attract greater investment in Scotland, making tax treatment more proportionate to the scale of investment. Some respondents also indicated that the current threshold may be slightly low and not particularly effective in encouraging large transactions, while a higher threshold could simplify compliance.

An interviewee cautioned, however, that increasing the threshold could have unintended consequences, potentially excluding smaller portfolios more common in rural areas. They also observed that while consultations elsewhere in the UK have explored higher thresholds, such as 15 properties, portfolios in Scotland tend to be smaller on average.

Some stakeholders proposed alternative measures to stimulate the housing market, including a temporary ADS holiday, which they believed would boost market activity, increase supply and help reduce rents. Another stakeholder noted that while removing ADS could benefit landlords, complementary measures would be needed to support first-time buyers to avoid increasing competition between the two groups.

First-Time Buyer Relief

Summary

This table provides a summary of our analysis of Scotland's first-time buyer relief.

Objectives	• To help first-time buyers enter the property market (Scottish Government, 2017).
Technical overview	• Relief for first-time purchasers of a residential property by exempting the first £175,000 of the purchase price from LBTT (The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018).
Interactions with other reliefs and mechanisms	• With non-residential/mixed-use: The relief only applies to purchases of entirely residential property, with a single exception (Revenue Scotland, 2024e interpretation). • With MDR: When a buyer qualifies for MDR, it excludes them from also qualifying for first-time buyer relief (Revenue Scotland, 2024e; Revenue Scotland, 2024c interpretation). • With ADS: First-time relief does not apply whenever ADS applies (Revenue Scotland, 2024e interpretation). • With 6+ dwellings ADS exemption: First-time buyer relief does not interact with the 6+ dwellings ADS exemption, which applies since it categorises the transaction as non-residential (Revenue Scotland, 2024e; Revenue Scotland, 2025b interpretations).
Comparative analysis	• Compared to LBTT, SDLT appears to be more generous in its first-time buyer relief in that it exempts the first £300,000 of the price, provided the total purchase price does not exceed £500,000, with any value between £300,000 and £500,000 taxed at 5% (HM Treasury, 2017). However, LBTT's more progressive overall rate structure lends additional, albeit less targeted, support to Scotland's first-time buyers beyond its first-time buyer relief (Adam and Phillips, 2021). • Unlike Scotland, Wales does not have a first-time buyer relief; instead, it sets its general residential nil-rate band at a higher level (£180,000 initially, now £225,000) (Welsh Government, 2017).
Materiality analysis	• First-time buyer relief accounted for up to 7% of total foregone revenue since 2018/19 (Revenue Scotland, 2025c). • Compared with the 6+ dwellings ADS exemption and MDR, it accounted for the smallest share of LBTT revenues forgone, although the gap between the three has narrowed recently (Revenue Scotland, 2025c).

Impact analysis	• The impact analysis did not provide evidence of the introduction of the first-time buyer relief influencing first-time property purchases in Scotland, with the increase in such transactions reflecting a continuation of pre-existing upward trends (ONS, 2025a; ONS, 2025b). • However, it is important to note that this analysis does not account for trends in other factors influencing property purchases in Scotland.
Findings from stakeholder engagement	• Stakeholders generally viewed first-time buyer relief as helpful, providing modest but meaningful assistance for those facing deposit and affordability challenges. However, many perceived its influence on purchase decisions as limited, describing the relief as largely symbolic due to complex eligibility and the small maximum saving. Most agreed the £175,000 threshold is outdated, given rising house prices, and advocated for an increase or regional variation to better reflect market conditions. • Survey findings showed relatively low awareness of LBTT and the relief, with the idea of financial support appealing most to prospective buyers. While nearly half of recent buyers reported claiming the relief, many said it made little difference to their decision or felt the benefit was minor compared to overall costs. • Stakeholders recognised that while the relief eases financial pressure and offsets some costs, its impact is often restricted by stagnant thresholds and changes in property values. There was consensus that increasing the threshold, or adjusting it for regional differences, would better support buyers and enhance effectiveness. • Views on imposing a cap for relief eligibility were mixed; some considered it fair to prevent high-value claims, while others cited regional price variation and the limited number of qualifying transactions as reasons against a cap. Overall, the relief was seen as a positive, if limited, measure supporting first-time buyers.

Objectives

The stated policy aim was to help first-time buyers enter the property market, with the wider LBTT residential rates then serving to support people as they progress through it. The relief sought to achieve this by raising the LBTT zero-tax threshold for first-time buyers from £145,000 to £175,000. It was anticipated that an estimated 80% of first-time buyers in Scotland would pay no LBTT at all under the relief[13] (Scottish Government, 2017). Since its introduction, over 100,000 buyers have benefited from the relief (Revenue Scotland, 2025d).

[13] Note that, given the increase in house prices since the introduction of First-Time Buyers' Relief, it is now likely that more first-time buyers are liable to pay LBTT.

Technical overview[14]

Description and administration

Relief for first-time purchasers of a residential property.

Claimed in the LBTT return upon purchase.

Timeframe and value

Applies to transactions with an effective date no earlier than 30th June 2018 for contracts entered into on or after 9th February 2018.

Exempts the first £175,000 of the purchase price from LBTT, effectively raising the nil-rate band from £145,000. This provides a maximum tax reduction of £600 (for a purchase price of £175,000) and has not been adjusted since the relief was introduced in 2018. See Table 11 below.

Table 11. LBTT schedule for first-time buyers

Purchase price	LBTT rate
Up to £175,000	0%
£175,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015
https://revenue.scot/taxes/land-buildings-transaction-tax/residential-property

Eligibility criteria and limitations

All of the following conditions must be met: (i) the transaction is an acquisition of a major interest[15] in land, (ii) the land being purchases consists entirely of residential property and includes a dwelling, (iii) the buyer is a first-time buyer (i.e., they do not own and have never previously owned a dwelling or a major interest in a dwelling anywhere in the world) and intends to occupy the property as their only or main residence, (iv) the transaction is not a linked transaction*, and (v) the transaction is not one to which the ADS applies.

* Exception to (iv): the relief can still be claimed where the only reason the transactions are linked is the simultaneous acquisition of land that will form part of the dwelling's garden or grounds or that subsists for the benefit of the dwelling (e.g., a garage or allocated parking space). In such cases, the relief will be available on the total consideration of the linked transaction.

In the case of joint purchases, the relief is available only if every buyer meets all of the above conditions; if any buyer fails a condition, the first-time buyer relief is not available.

[14] Sources: The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018, Land and Buildings Transaction Tax (Scotland) Act 2013

[15] This refers to ownership of land or a tenant's right over or interest in land subject to a lease. In the case of first-time buyer relief, a major interest excludes renting under a standard statutory private residential tenancy (Revenue Scotland, 2024e interpretation).

Interactions with other reliefs and mechanisms

Between non-residential/mixed-use properties and first-time buyer relief

The first-time buyer relief raises the nil-rate LBTT band to £175,000 for qualifying first-time purchases. The relief only applies to purchases of entirely residential property – if the transaction includes any non-residential element or is a linked transaction (part of a series of transactions), it will not qualify for the relief with a single exception. The exception is in the case of a linked transaction involving a residential and a linked non-residential purchase where the latter is either the garden or grounds of the residential property or is land that subsists or is to subsist for the benefit of that property. In such cases, the relief will be available on the total consideration of the linked transaction (Revenue Scotland, 2024e interpretation).

Between MDR and first-time buyer relief

First-time buyer relief is not available whenever the ADS applies, as well as in the case of linked transactions outside of specific cases. This results in any realistic scenario where a buyer qualifies for MDR, excluding them from also qualifying for first-time buyer relief. This is because a true first-time buyer purchasing two or more dwellings, whether in a single purchase or a series of linked transactions, so as to qualify for MDR, would end the day owning more than one dwelling while not replacing a previous main residence (by definition). This would result in them being subject to the ADS and thereby disqualified from first-time buyer relief (Revenue Scotland, 2024e; Revenue Scotland, 2024c interpretations).

Between ADS and first-time buyer relief

As noted above, first-time buyer relief is not available whenever the ADS applies (Revenue Scotland, 2024e interpretation).

Between 6+ dwellings ADS exemption and first-time buyer relief

No interaction is possible between first-time buyer relief and the 6+ dwellings ADS exemption, as first-time buyer relief is only available for purchases consisting entirely of residential property. The 6+ dwellings ADS exemption would result in the transaction being classified as non-residential, thereby disqualifying the buyer from first-time buyer relief (Revenue Scotland, 2024e; Revenue Scotland, 2025b interpretations).

Comparative analysis

This section presents a comparative analysis of the LBTT first-time buyer relief in Scotland vis-à-vis SDLT in England and Northern Ireland and Land Transaction Tax (LTT) in Wales.

Key differences between LBTT and SDLT

First-time buyer relief is another area where LBTT and SDLT share a general approach – easing the tax burden on new entrants to the housing market – but differ in design and generosity. Scotland introduced LBTT first-time buyer relief in June 2018. As shown in Table 12 below, this relief raises the LBTT nil-rate band to £175,000 for first-time purchasers of their main residence. As a result, an eligible first-time buyer pays no LBTT on the first £175,000 of the purchase price, as opposed to the standard £145,000 threshold. Any value above £175,000 is taxed at the normal marginal rates. There is no maximum purchase price to qualify, but the benefit is capped: the maximum tax saving is £600 per buyer. This £600 saving arises because the 2% LBTT band (normally charged on purchases between £145,000 and £175,000) is waived.

England and Northern Ireland's SDLT first-time buyer relief, introduced in November 2017, sets a considerably higher threshold. As per Table 13 and the figure below, it exempts the first £300,000 of the price from SDLT for a first-time buyer, provided the total purchase price does not exceed £500,000. Any value between £300,000 and £500,000 is taxed at 5%, and above £500,000, the relief is not available at all (the buyer pays standard rates on the full price) (HM Treasury, 2017). For example, an English first-time buyer of a £400,000 home pays 0% on £300,000 and 5% on the remaining £100,000, totalling £5,000 SDLT; a non-first-time buyer would owe £10,000 on the same purchase. The maximum saving is thus much larger – up to £5,000 at a £500,000 price. In 2022-2023, the UK temporarily enhanced this relief further (raising the nil band to £425,000 and price cap to £625,000), but those changes expired on 31st March 2025 (Masala, 2025). However, although the SDLT provides seemingly more generous relief for first-time buyers than the LBTT, it is important to consider the significant differences in house prices between Scotland and many parts of England. The average price paid by first-time buyers in Scotland is around £157,500, compared with £245,000 in England (HM Land Registry, 2025a; HM Land Registry, 2025b)[16]. In London, where property prices are particularly high, the average first-time buyer property costs around £469,000. These regional variations mean that the higher SDLT thresholds are necessary for the relief to remain relevant across the country.

Table 12. LBTT schedule for first-time buyers

Purchase price	LBTT rate
Up to £175,000	0%
£175,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

Source: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015, The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018

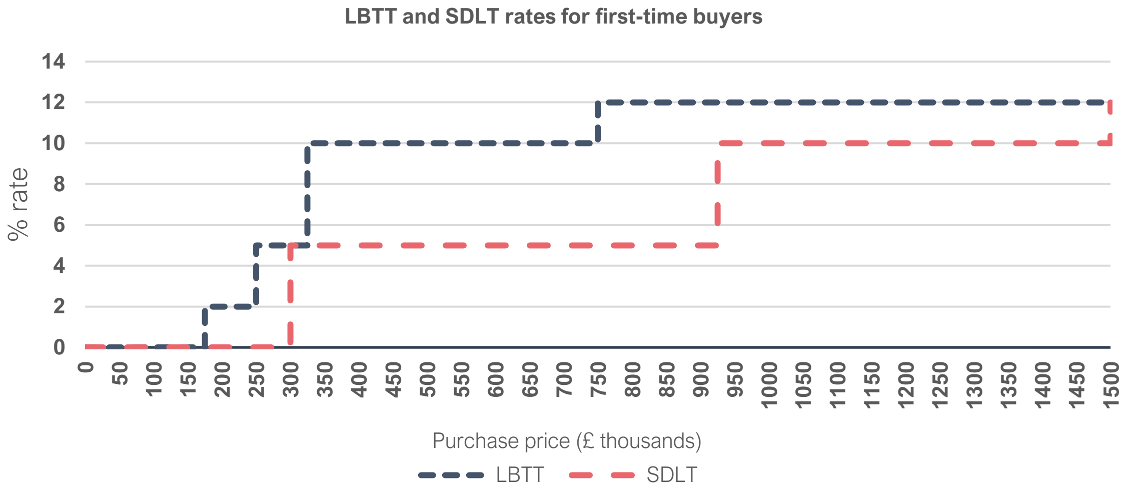
Table 13. SDLT schedule for first-time buyers

Purchase price	LBTT rate
Up to £300,000	0%
£300,001 to £500,000	5%

Source: HM Revenue & Customs (2025b)

[16] Average first-time buyer house prices in October 2025.

Figure 13.



Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015, The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018https://revenue.scot/taxes/land-buildings-transaction-tax/residential-property; HM Revenue & Customs (2025b)

Comparatively, Scotland's relief is more modest both in threshold and benefit. One reason may be that LBTT's standard nil band (£145,000) was already higher than SDLT's (£125,000) around the time first-time buyer reliefs were enacted, so first-time buyers in Scotland were already slightly better off relative to England. Indeed, Institute for Fiscal Studies (IFS) analysis from 2021 noted that LBTT is more progressive in its overall rate structure, with the majority of purchases either paying no tax (as much as 53% of residential returns in 2015-2016) or being taxed at lower rates than in the rest of the UK (Adam and Phillips, 2021; Revenue Scotland, 2025c interpretation). As noted above, average house prices in England, particularly in the South East and London, are significantly higher than in Scotland, meaning that higher thresholds are necessary under the SDLT.

From a policy perspective, the efficacy of a first-time buyer relief from property transaction tax has been debated in the UK. While it undoubtedly reduces upfront costs for some buyers, the Office for Budget Responsibility has in the past argued that such a relief may simply get capitalised into higher house prices, thus doing little to improve affordability (Office for Budget Responsibility, 2017). The UK and Scottish governments nevertheless introduced the reliefs as a signal of support for first-time homeowners.

Key differences between LBTT and LTT

Wales notably does not have a first-time buyer relief for LTT, unlike Scotland's LBTT. When LTT was introduced in 2018, the Welsh Government decided against a special first-time buyer exemption, opting instead to set the general residential nil-rate band at a high level (£180,000 initially, now £225,000 – see Table 15 and the figure below). The logic was that raising the tax threshold for everyone purchasing lower-priced homes would provide relief for both the majority of first-time buyers, as well as hard-pressed home movers, obviating the need to introduce a separate first-time buyer relief (Welsh Government, 2017). By contrast, Scotland introduced its targeted first-time buyer relief in 2018, as discussed, raising the nil band from £145,000 to £175,000 for first-time buyers (see Table 14).

Table 14. LBTT schedule for first-time buyers

Purchase price	LBTT rate
Up to £175,000	0%
£175,001 to £250,000	2%
£250,001 to £325,000	5%
£325,001 to £750,000	10%
Above £750,000	12%

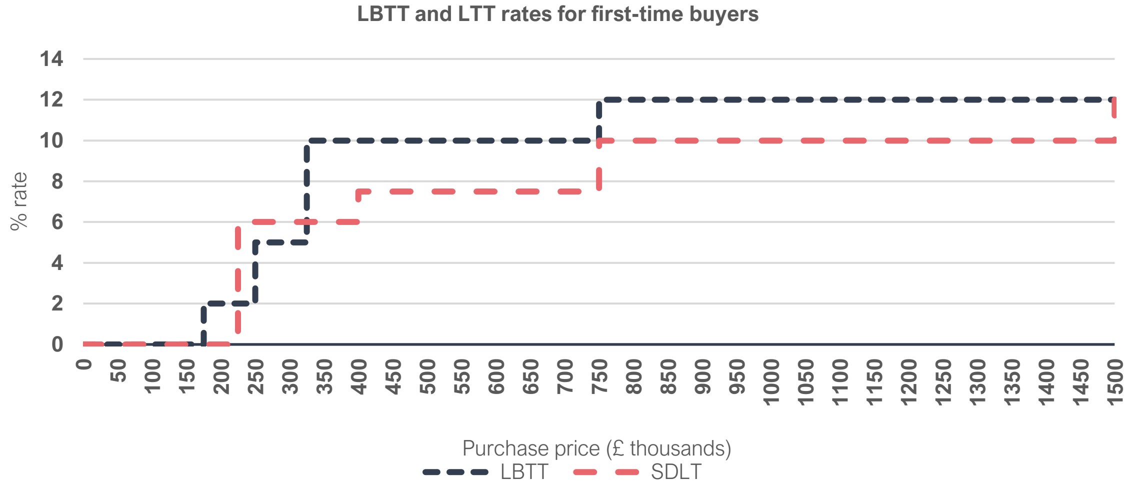
Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018

Table 15. LTT schedule for residential properties (main rates)

Purchase price	LTT rate
Up to £225,000	0%
£225,001 to £400,000	6%
£400,001 to £750,000	7.5%
£750,001 to £1,500,000	10%
Above £1,500,000	12%

Source: Welsh Government (2024a)

Figure 14.



Sources: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015; The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018; Welsh Government (2024a)

Wales's policy of a high universal nil rate can be even more generous for first-time buyers at the lower end of the market than Scotland's targeted relief. For example, a £200,000 first-time purchase in Wales would attract no LTT (since it is under £225,000), while the same transaction in Scotland would incur £500 LBTT (2% of £25,000 above £175,000). The trade-off is that a higher-priced first-time buyer in Wales would not benefit from a relief, as their Scottish counterpart might. For instance, a first-time buyer of a £400,000 house in Wales pays £10,500 LTT, whereas in Scotland they would pay £12,750 LBTT with a £600 relief (£13,350 LBTT if they were not a first-time buyer).

Materiality analysis

The data indicates that all three reliefs within the scope of this review are significant in terms of the overall level of LBTT revenues forgone. Table 24 and Figure 29 present the revenue forgone through each of these reliefs, both in monetary terms and as a share of total LBTT revenues forgone. Among the three, the MDR consistently represents the largest share, accounting for between 7% and 15% of total revenues forgone. The 6+ dwellings ADS exemption has a more modest impact, generally around 3-4%. The first-time buyer relief typically results in forgone revenues of a similar scale to the 6+ dwellings ADS exemption, though with greater year-to-year variation. As illustrated in Figure 29, forgone revenue from both the 6+ dwellings ADS exemption and first-time buyer relief usually amounts to around half the value of MDR. However, in 2024/25, the difference between the three narrowed noticeably. Table 25 further highlights the significance of these reliefs when expressed as a proportion of overall LBTT revenues.

Additional data from Revenue Scotland (2025f) was available specifically on first-time buyer relief, including the number of claims made under this scheme in each month. Table 28 illustrates that claims for first-time buyer relief accounted for a large share of all relief claims, ranging from 64% to 92% between 2019/20 and 2024/25. When considered as a proportion of total LBTT returns, claims including first-time buyer relief consistently made up around 10-15% of all returns across most years in this period. A particularly notable observation in Table 28 is the sharp decline in first-time buyer transactions in 2020/21, followed by a strong rebound the next year. This unusual pattern is almost certainly attributable to the COVID-19 pandemic, which disrupted property markets and significantly curtailed property market activity during that period.

Impact analysis

The following section undertakes an analysis of the impact of the first-time buyer relief under LBTT. This relief was chosen for this analysis in part due to the availability of relevant time series data predating the introduction of LBTT. It is important to note that the following findings offer only suggestive evidence of impact (or the lack thereof) based on observed trends over time. While we draw on evidence from other UK stamp duty systems, specifically SDLT in England and LTT in Wales, to partially account for factors affecting all three nations, this analysis cannot control for many confounding factors that may have changed over time and influenced property transaction patterns in the Scottish market. As such, these results should not be interpreted as providing definitive causal evidence of impact.

Key findings

Our analysis finds no clear evidence that the introduction of the first-time buyer relief under LBTT had a significant effect on first-time buyer transactions. Graphical trends suggest that the increase in such transactions following the policy's introduction largely reflects a continuation of pre-existing upward trends, rather than a distinct change as a result of the relief. The relatively modest savings available through the relief of a maximum of £600 may not have been substantial enough to materially influence purchase decisions in the housing market.

Nevertheless, it would be misleading to conclude that the relief had no impact at all. Our dataset cannot fully isolate the effect of the first-time buyer relief from the wide range of domestic and international factors shaping the housing market during the period of analysis. These include global shocks, such as the COVID-19 pandemic, the Russia-Ukraine conflict, and its inflationary consequences, as well as domestic developments, such as the UK's exit from the European Union and housing initiatives like the First Home Fund. Given these overlapping influences, it is difficult to draw strong causal inferences about the specific contribution of the relief to first-time buyer activity.

Impact of first-time buyer relief

ONS data (see ONS, 2025a and ONS, 2025b) provides a time series of several indicators, including total first-time buyer transactions, first-time buyers per 1,000 population, and first time buyer transactions as a share of all sales. These series cover the period 2006-2023, spanning both the years before and after the introduction of LBTT first-time buyer relief in 2018. This allows for an assessment of whether any clear shifts in transaction patterns coincided with the policy change. Note that this data is based on first-time buyer mortgage sales rather than tax data and hence will not include first-time buyer transactions for which a mortgage was not taken out.

The first-time buyer relief was introduced to LBTT in 2018 and has seen very limited change since its inception. The only significant adjustment occurred in 2020, when the nil rate band for all residential properties was temporarily increased as part of the COVID-19 response. During this period, the higher general threshold meant that the first-time buyer relief was effectively redundant. Following the withdrawal of these temporary measures in March 2021, the relief reverted to its standard form, with the nil rate band remaining fixed at £175,000. However, given the effects of inflation and rising house prices over this period, the real-terms value of the threshold has gradually eroded. Key changes to the first-time buyer relief are set out in Table 16 below.

Table 16. Changes to LBTT first-time buyer relief

Changes to first-time buyer relief	Date
LBTT introduced	1st April 2015
First-time buyer relief introduced	30th June 2018
Temporary COVID-19 increase in the general nil-rate threshold (rendering the first-time buyer relief redundant)	15th July 2020 to 31st March 2021
Reversion to standard rates after the holiday (restoring the relevance of first-time buyer relief)	1st April 2021

Source: See below

Table 17 presents a simple pre-post comparison of the three indicators, showing their average values before the introduction of the relief in 2018 and after its implementation. The table also provides the absolute and percentage changes between the two periods. Across all three measures, there was a marked increase in first-time buyer transactions, in absolute numbers, relative to population, and as a share of total sales, rising by 30%, 27%, and 25%, respectively.

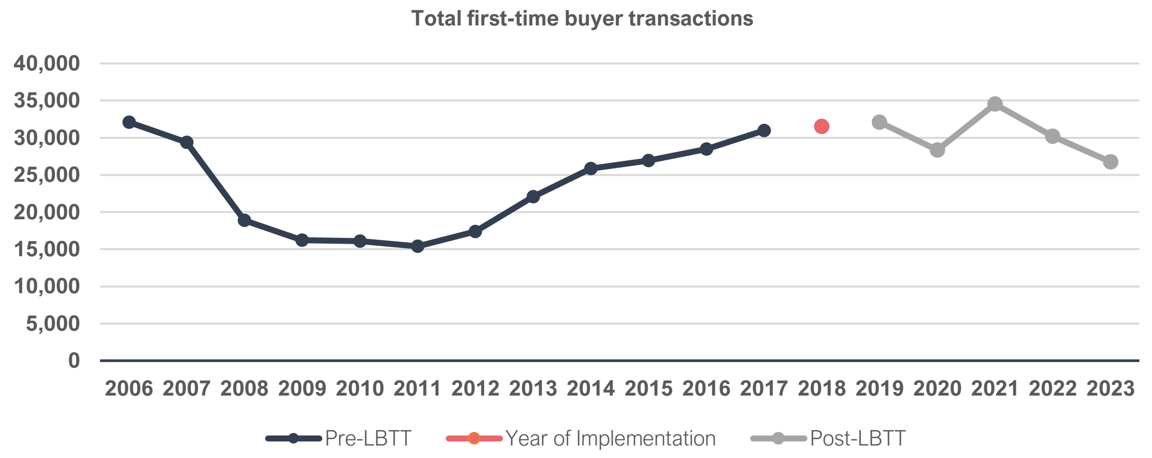
However, as illustrated in Figures 15, 16, and 17, these increases appear to reflect a continuation of a long-standing upward trend rather than a distinct change from 2018 onwards. All three indicators have been rising steadily since at least 2011, several years prior to both the introduction of LBTT in 2015 and the first-time buyer relief in 2018. The graphs show no clear break or acceleration in this trend immediately following the introduction of the relief. Moreover, wider domestic and international factors, such as the COVID-19 pandemic, likely had a strong influence on market outcomes during this period, making it difficult to ascribe observed changes directly to the policy.

Table 17. Scotland first-time buyer trends: Pre- and post-LBTT comparison

	Pre-2018 average	Year of implementation (2018)	Post-2018 average	Difference	Percentage increase
Scotland total first-time buyer transactions	23,313	31,491	30,383	7,070	30%
Scotland first-time buyers per 1,000 population	4.4	5.8	5.6	1.2	27%
Scotland first-time buyers per 100 sales	24.2	30.7	30.1	5.9	25%

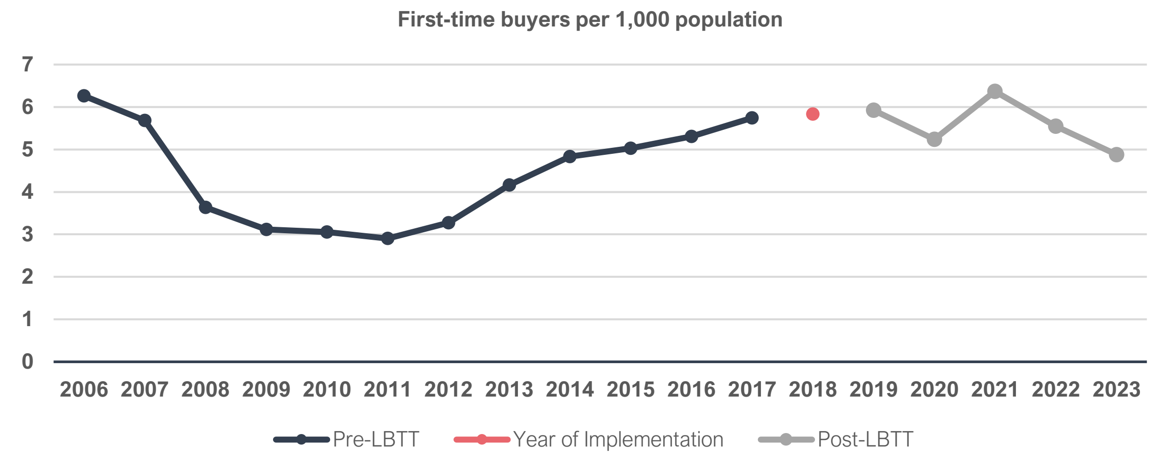
Source: ONS (2025a); ONS (2025b)

Figure 15.



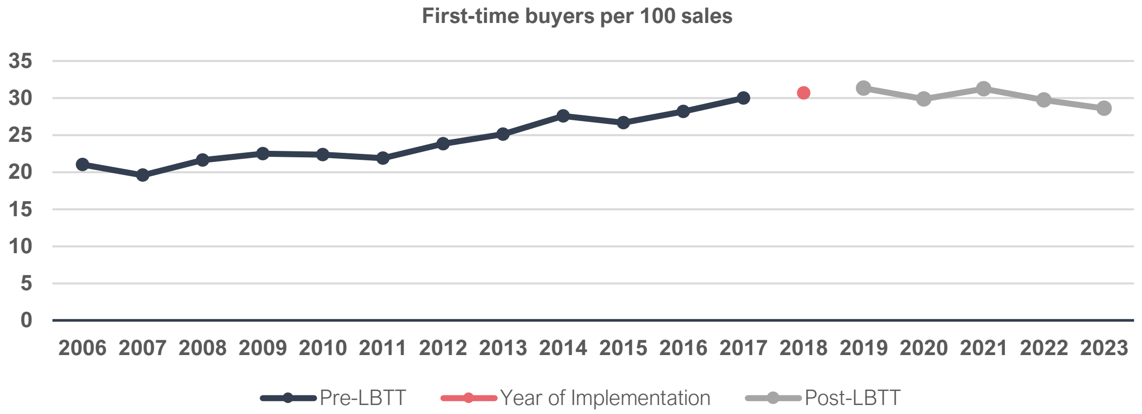
Source: ONS (2025a)

Figure 16.



Source: ONS (2025b)

Figure 17.



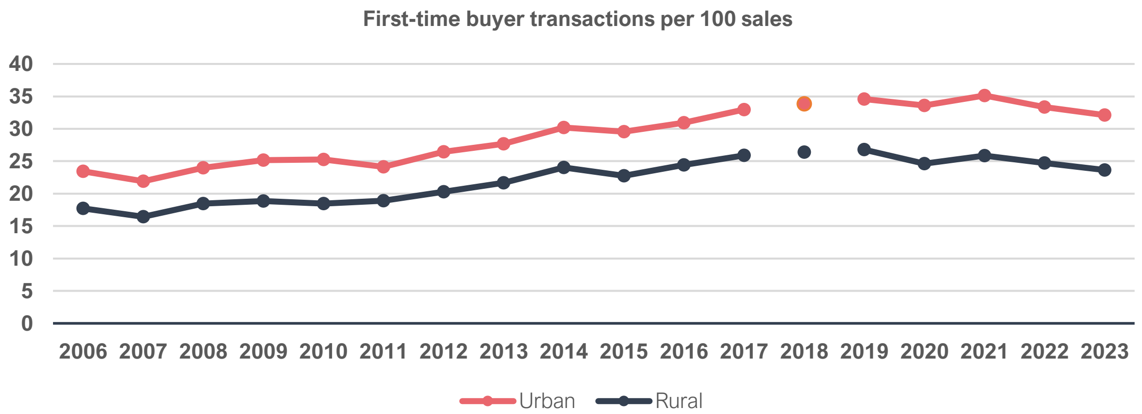
Source: ONS (2025a)

Urban versus rural local authorities

Further analysis was undertaken to examine whether the impact of first-time buyer relief differed between more urban and more rural local authorities. Using data from the Scottish Government (2024a), we calculated the share of each authority's population living in urban versus rural areas. Using these shares, we categorised local authorities into two groups: an urban group, where a larger share of the population lives in urban areas, and a rural group, where a comparatively smaller share does. Across all Scottish local authorities, the average proportion of the population living in urban areas is 72%. We used this benchmark to classify local authorities with more than 72% of their population in urban areas as urban, and those below this threshold as rural. This approach provides a transparent and easily interpretable distinction between more urban and more rural authorities, enabling us to explore whether outcomes differ between the two groups.

The results indicate that local authorities with urban population proportions above the national average consistently record a higher share of first-time buyer transactions than their more rural counterparts. Across the period, the urban group typically sees around five to ten first-time buyer transactions per 100 sales compared to the rural group. As shown in Figure 18, there is a slight widening of the gap between the two groups, particularly following the introduction of the first-time buyer relief in 2018. This suggests the relief may have had a somewhat greater impact in urban areas compared with rural areas. However, the magnitude of this divergence is small, and overall, the two series exhibit broadly similar trends over time: the share of first-time buyer transactions rose steadily through the early 2010s before stabilising or declining slightly in more recent years.

Figure 18.



Source: ONS (2025a); Scottish Government (2024a)

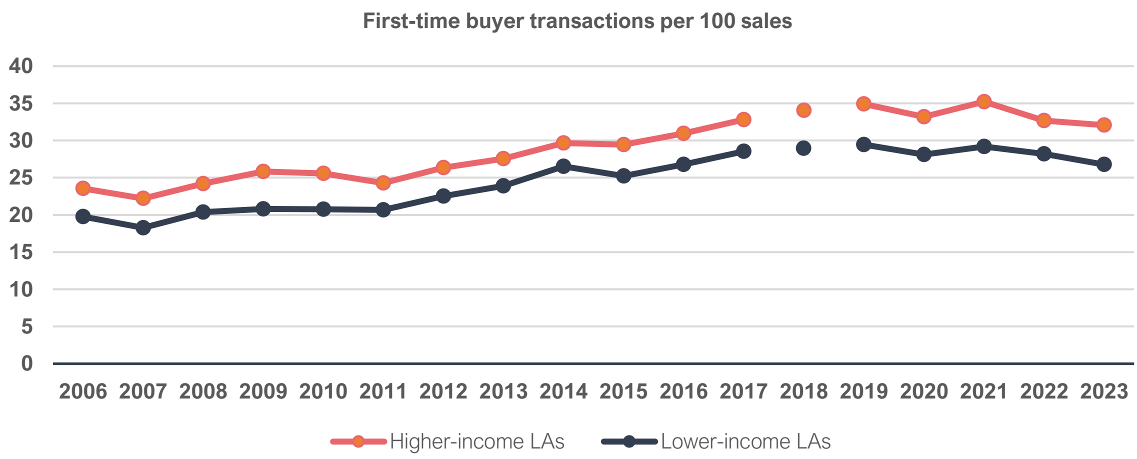
High versus low-income local authorities

Further analysis compared differences between local authorities with higher and lower income per capita, using ONS data on per capita GDP (ONS, 2019; ONS, 2021). The 2019 Scottish average GDP per capita (£30,560) was used to classify local authorities into high- and low-income groups. Local authorities with an average income above this threshold were categorised as higher-income, while those below it were classified as lower-income. This approach enables a straightforward comparison to assess whether the introduction of the first-time buyer relief had a differential impact on first-time buyer transactions across income groups.

The results show that higher-income local authorities consistently record a greater share of housing transactions by first-time buyers. However, the gap between the two groups is smaller than the difference observed between urban and rural areas, with a gap of around three to six first-time buyer transactions per 100 sales. There is some indication of a slight widening of this gap over time, particularly following the introduction of the first-time buyer relief, although the magnitude of this change appears limited. Overall, the two groups exhibit broadly parallel trends, with first-time buyer transactions per 100 sales increasing steadily up to around 2018 before levelling off or declining slightly in subsequent years.

The consistently lower rate of first-time buyer transactions in lower-income local authorities may partly reflect the tenure mix of the housing stock. Areas such as West Dunbartonshire and Inverclyde have a relatively high prevalence of social housing, which limits the size of the owner-occupied market and may reduce the number of sales in which first-time buyers can participate.

Figure 19.



Source: ONS (2019); ONS (2021); ONS (2025a)

Comparison with other UK nations

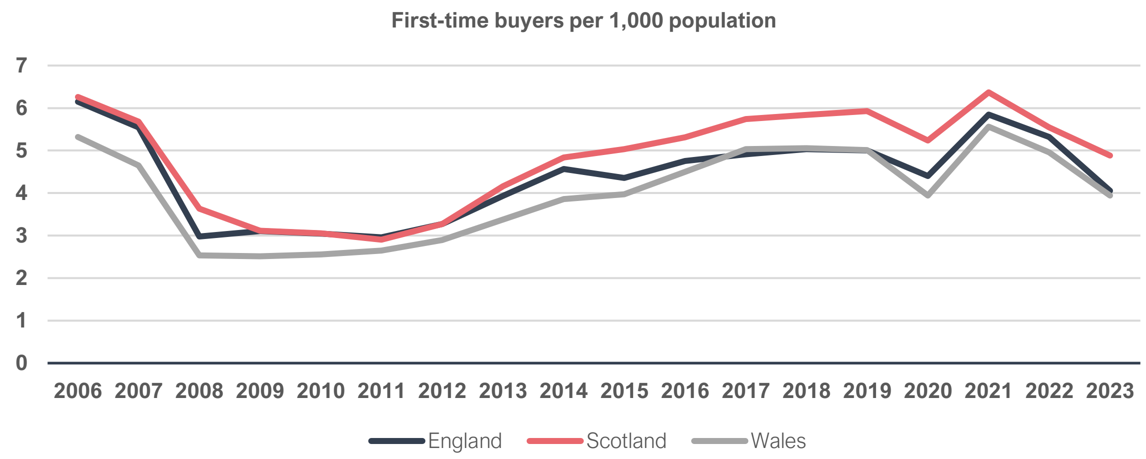
This section provides additional context by comparing first-time buyer transaction trends in Scotland with those in England and Wales. This comparison offers a degree of control for wider factors affecting first-time buyer activity across the UK nations. Examining these trends allows us to identify whether any notable differences emerge, which may offer suggestive evidence of an impact arising from the different treatment of first-time buyers under LBTT relative to SDLT in England and LTT in Wales.

For context, an equivalent first-time buyer relief was introduced in England under SDLT in 2017. This raised the nil-rate band for first-time buyers to £300,000, with a 5% rate applied on the portion of the purchase price between £300,000 and £500,000. However, unlike LBTT relief, no benefit is available for transactions above £500,000. As under LBTT, SDLT first-time buyer relief was rendered largely irrelevant during the COVID-19 stamp duty holiday (July 2020–June 2021), when the nil-rate band was temporarily raised for all purchasers. SDLT nil-rate threshold and maximum property value limit were also increased in September 2022, before returning to their original levels in April 2025. By contrast, under Wales's LTT, there is no first-time buyer relief offering preferential treatment.

The graph of first-time buyers per 1,000 population in Figure 20 shows very similar trends across the three nations over the period. Scotland consistently records a higher number of first-time buyers per 1,000 population, but this was already the case before the introduction of LBTT and the Scottish first-time buyer relief, meaning it cannot be attributed to the relief. Overall, the close alignment of trends across nations suggests little evidence of any significant increase in first-time buyers as a result of the relief.

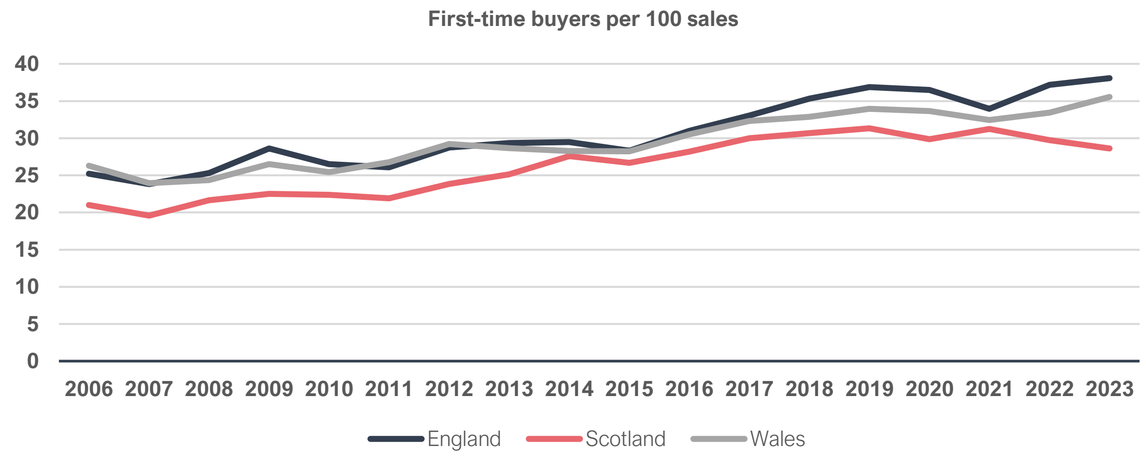
The graph in Figure 21, showing first-time buyer transactions per 100 property sales, again indicates broadly similar patterns across the three nations, though the alignment is less tight than for buyers per 1,000 population. Unlike the first measure, Scotland consistently has a lower proportion of transactions accounted for by first-time buyers. Looking specifically at the period following the introduction of first-time buyer relief in 2018, there is no sign of a positive effect. Scotland's share of first-time buyer transactions has declined relative to both England and Wales.

Figure 20.



Source: ONS (2025b)

Figure 21.



Source: ONS (2025a)

Findings from stakeholder engagement

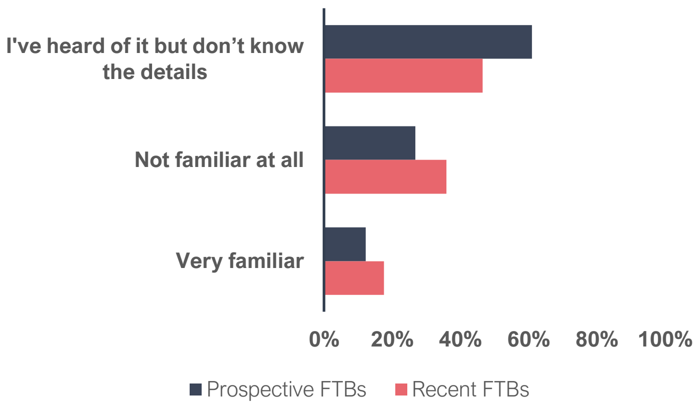
Summary of findings

Stakeholders viewed the first-time buyer relief as helpful but limited in impact. Many agreed it eased costs for buyers already struggling with deposits and competition from wealthier generations, with the savings offering modest but welcome support. However, others saw it as largely symbolic, with minimal influence on purchase decisions and overly complex eligibility rules. Most believed the £175,000 threshold is outdated, given rising house prices, and urged its increase or regional adjustment to reflect market variations. Opinions on imposing a property value cap were mixed; some saw it as fair, others unnecessary or difficult to implement.

Impact on first-time buyers

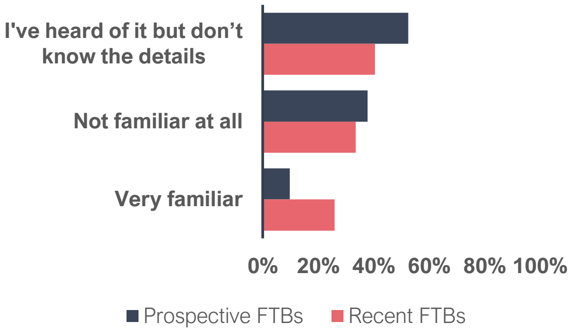
In the survey of recent and prospective first-time buyers, awareness of LBTT varied across both groups, as shown in Figure 22. Among prospective first-time buyers, 61% had heard of the tax but did not know the details, while 27% were not familiar with it at all, and only 12% described themselves as very familiar. Awareness levels were higher among recent first-time buyers, with 47% indicating they had heard of LBTT but lacked detailed knowledge, 36% saying they were not familiar, and 18% reporting they were very familiar. This suggests that direct experience with purchasing a property increases understanding of this tax, although less than one in five recent buyers felt very familiar even after the process.

Figure 22. Prior to this survey, how familiar were you with the Land and Buildings Transaction Tax, which is a tax payable based on the purchase price of a property? (Prospective FTBs n=82; Recent FTBs n =131)



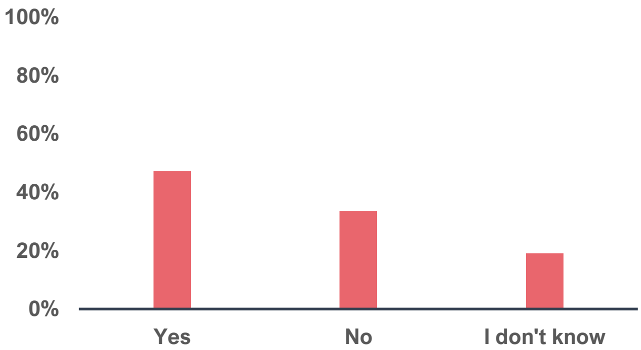
Familiarity with the first-time buyer relief on LBTT showed a similar pattern among prospective buyers (see Figure 23). Just over half (52%) had heard of the relief but did not know the details, 38% were unfamiliar, and 10% were very familiar. Among recent buyers, when asked about their awareness at the point of purchasing their property, 26% said they were very familiar with the relief, 40% had heard of it but lacked a detailed understanding, and 34% were not familiar at all.

Figure 23. Prior to this survey/at the point of purchasing your property, how familiar were you with the first-time buyer relief on the Land and Buildings Transaction Tax and the potential cost savings that are associated with it? (Prospective FTBs n=82; Recent FTBs n =131)



Despite these knowledge gaps, nearly half of recent buyers (47%) reported claiming the first-time buyer relief when purchasing their property (see Figure 24). A third did not claim it, and 19% were unsure, indicating that some buyers may be unclear about how the relief applies or how to access it.

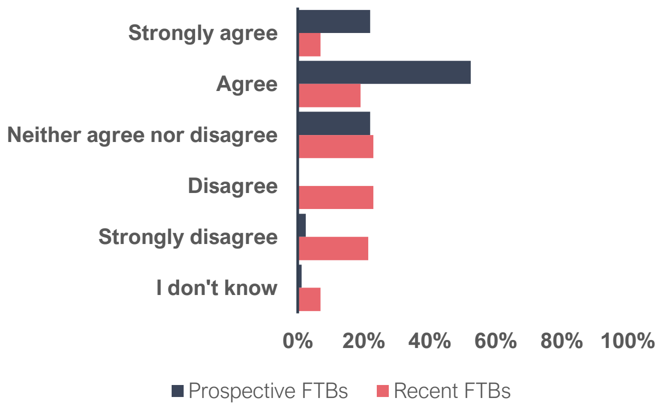
Figure 24. Did you claim the first-time buyer relief when you purchased your property? (n=131)



Perceptions of the influence of the first-time buyer relief on purchasing decisions also differed notably between the two groups (see Figure 25). Among prospective buyers, nearly 3/4 (74%) agreed the relief would make them more likely to buy a home, while only 2% disagreed, and the rest were neutral or unsure. When asked to expand on their answer, the most frequent theme among prospective buyers was that the first-time buyer relief made home ownership feel more attainable and reduced some of the financial pressure associated with buying a property. Many described it as an incentive that would help them purchase sooner or with greater confidence, particularly by offsetting upfront costs like legal fees or allowing them to increase their deposit. Several said the relief encouraged them to consider properties slightly above their original budget, while others talked about it making the overall process seem more manageable or realistic. A common sentiment was that "every saving helps," especially when faced with multiple financial barriers, such as high deposits, interest rates, and the general cost of living.

By contrast, among recent buyers, fewer felt it had influenced their decision: 26% agreed or agreed strongly, 44% disagreed or disagreed strongly, 23% were neutral, and 7% were unsure. When expanding on their answers, recent buyers were much less likely to say the relief had influenced their decision. The dominant theme among this group was that the relief made little or no real difference to whether or when they bought a property. Many said they were unaware of the scheme at the time of purchase, did not qualify for it due to their circumstances, or found the savings too small to meaningfully affect their decision. Several noted that the scale of the relief, often described as modest compared with overall purchase costs, was insignificant against larger considerations like affordability, mortgage approval, and finding a suitable home. A few did acknowledge that while the relief was welcome, it acted more as a "bonus" than a deciding factor, helping slightly with affordability or easing financial stress but not altering their fundamental decision to buy.

Figure 25. To what extent do you agree with the following statement: "The availability of the first-time buyer relief on LBTT positively influence(s/d) my decision to purchase a home" (Prospective FTBs n=82; Recent FTBs n =131)



Overall, these findings suggest that while awareness of LBTT and the first-time buyer relief is relatively low, the idea of financial assistance is appealing to those yet to buy. However, the relief appears to have a more modest effect on the actual decisions and experiences of recent purchasers.

The impact of the first-time buyer relief was also discussed in the stakeholder interviews, and interviewees differed in their views on its effectiveness in influencing buyers' decisions to purchase a home. Stakeholders generally recognised the relief as something familiar to first-time buyers, though they differed in their views on its effectiveness in influencing these buyers' decisions to purchase a home. Many stakeholders across different groups felt that LBTT can pose a barrier to homeownership, and any measure that removes a substantial tax burden is likely to be appreciated. Several stakeholders highlighted that first-time buyers are already financially stretched, saving for a deposit, making affordability a significant challenge. Stakeholders noted that first-time buyers face the challenge of competing with older, more asset-rich generations and praised the relief for helping to level the playing field and easing their access to the housing market. While some acknowledged that the maximum saving of up to £600 was modest, many believed even this small amount could provide valuable assistance, offering a helpful boost for entry into homeownership. Given the difficult current circumstances, the relief was seen as likely to have some positive influence on first-time buyers' decisions. Legal professionals specifically noted that the £600 saving could help offset other costs associated with buying a home, such as legal or conveyancing fees.

Some stakeholders observed that by the time first-time buyers are ready to purchase, they have usually accumulated a sufficient deposit, meaning the relief was not a decisive factor in their decision. However, they felt that even if the relief did not directly influence the decision to buy, it remained a worthwhile measure. They pointed out that while the relief might not sway whether to purchase or not, it may reduce the time buyers need to save for a deposit. Many agreed there is value in aiding first-time buyers by returning some money at the start of their housing journey, regardless of the relief's impact on their decision-making. One stakeholder also emphasised that any policy helping to stimulate the property market and attract buyers is positive.

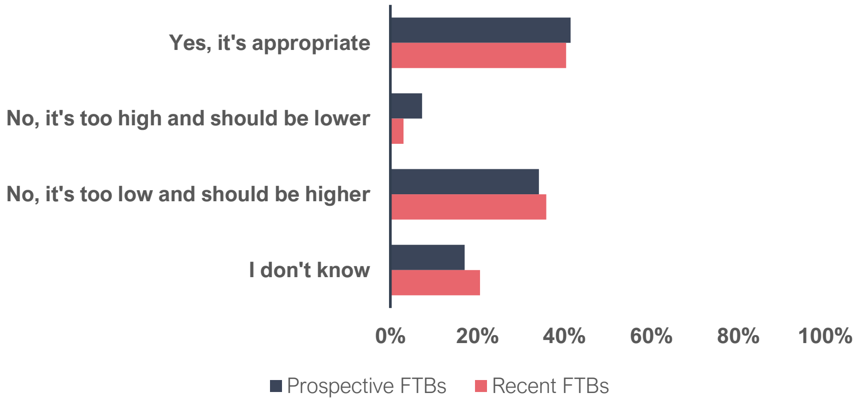
However, these views were not held by all stakeholders. Several argued that a maximum saving of £600 is insignificant compared to the overall costs of purchasing a home and has little impact on first-time buyer decisions. One described the relief as more of a "token gesture" than a meaningful incentive, while others noted its political appeal rather than practical effect, suspecting its impact on buyers is marginal at best. An estate agent recommended abolishing the relief in its current form, reporting no instances where LBTT had deterred anyone from buying or selling property.

A legal sector respondent raised concerns about the complex eligibility criteria for the relief, noting that many applicants mistakenly believe they qualify when they do not, for example, due to prior residential property ownership. They observed that because the savings are so limited, the legal fees required to verify entitlement can outweigh the relief's value, and they sometimes advise clients against pursuing it. Another stakeholder pointed to potential unintended consequences, suggesting that the relief might increase demand and thus drive up house prices, making it harder for future buyers to enter the market. They also questioned whether buyers truly save money or if sellers simply increase prices to offset the relief.

Appropriateness of level of first-time buyer relief

As shown in Figure 26, prospective and recent first-time buyers had broadly similar views on whether the current level of relief is appropriate. Around four in ten respondents in each group (41% of prospective and 40% of recent buyers) considered the current level of relief to be appropriate. However, roughly 1/3 in both groups (34% of prospective and 36% of recent buyers) felt the relief is too low and should be increased. Very few believed it was too generous (7% of prospective and 3% of recent buyers), while 17% of prospective and 21% of recent buyers were unsure. Overall, the results suggest that most view the current level of support as reasonable, though a notable share would welcome an increase, even recognising this would need to be funded through higher general taxation.

Figure 26. In your opinion, is the current level of first-time buyer relief offered appropriate? Assume any increase in the relief would be funded by society through higher general taxation.



When asked to expand on their answers, the most common view among both prospective and recent first-time buyers was that the current level of first-time buyer relief is too low, given rising house prices and the increasing cost of living. Many respondents commented that property values, particularly in cities like Edinburgh and Aberdeen, often exceed the £175,000 threshold, making it difficult for buyers to benefit from the relief in practice. Several felt that while the relief is a helpful gesture, it makes only a small difference relative to overall housing costs, describing it as "a scratch on the surface." Many suggested that the threshold should be raised to reflect market conditions or inflation, with some recommending aligning it with the average first-time buyer property price, closer to £200,000.

A smaller but significant group viewed the current level of relief as appropriate and fair. These respondents often reasoned that it provides meaningful help to those purchasing lower-cost homes, without placing an excessive financial burden on taxpayers. Some highlighted that the relief strikes a balance between supporting first-time buyers and maintaining fiscal responsibility, especially given that any increase would be funded through higher general taxation. Others noted that for a typical first home, the threshold remains suitable and offers a modest but worthwhile level of support.

A minority felt the relief was too generous or unnecessary, arguing that higher relief levels would either exacerbate housing demand and price inflation or unfairly shift costs onto taxpayers. A few respondents expressed uncertainty, saying they did not know enough about the policy or its impact to make a judgment.

The appropriateness of the relief was also discussed in stakeholder interviews. Stakeholders generally felt that the current threshold for the first-time buyer relief was no longer appropriate. They highlighted that the zero-tax threshold of £175,000 has remained unchanged since the relief was introduced in 2018, despite considerable inflation and substantial increases in house prices. As a result, many properties that would previously have qualified for relief now fall into higher tax bands, reducing the number of homes fully exempt from LBTT for first-time buyers. A majority of stakeholders believed the threshold is now too low and should be increased to reflect current market conditions. Some noted that a higher threshold would better support first-time buyers, as £175,000 is often insufficient to cover typical first-time buyer homes in many areas. One stakeholder suggested that raising the threshold could not only assist buyers but also stimulate market activity and encourage new housebuilding. Another suggested that a temporary LBTT holiday for first-time buyers could further boost market movement.

Several stakeholders emphasised the importance of accounting for regional variation in house prices. They noted that rural areas typically have lower prices than urban centres such as Edinburgh and Glasgow, where the relief has become less effective. For example, one organisation observed that the average house price in Fife is around £150,000, compared with about £220,000 in Edinburgh. This means that first-time buyers in places like Fife are more likely to find a home fully exempt from LBTT, whereas buyers in the capital often exceed the relief threshold. In contrast, one estate agent suggested removing the relief entirely, stating that most first-time buyers in their area purchase homes below the main LBTT nil-rate threshold of £145,000, rendering the relief redundant. To address regional disparities, some stakeholders proposed introducing zonal LBTT and relief thresholds that reflect local market conditions, for instance, setting higher thresholds in areas with higher average house prices.

One interview respondent noted that the issue of outdated thresholds extends beyond the first-time buyer relief and applies to all LBTT bands. Adjusting thresholds is challenging because they are set in primary legislation and would require a lengthy parliamentary process. The stakeholder, however, also warned that static thresholds risk generating fiscal drag, as rising property values push more transactions into higher tax bands. However, another participant pointed out that the progressive design of LBTT mitigates this effect, since buyers pay tax only on the portion of the property price above each threshold. They added that first-time buyers still benefit from relief on the portion of the purchase price below £175,000, even if the total property value exceeds that level. Some stakeholders also observed that increasing relief threshold or lowering rates for first-time buyers would reduce tax revenues and could therefore impact public finances.

Need for cap on first-time buyer relief

Most stakeholders did not express strong views on whether there should be a cap on the maximum property value eligible for first-time buyer relief. In England and Northern Ireland, such a cap exists under SDLT, where the first-time buyer relief cannot be claimed on transactions over £500,000. There is no equivalent limit under Scotland's LBTT. Some stakeholders considered a cap fairer, aligning with the SDLT approach. It was also noted that recently, several high-value transactions had claimed first-time buyer relief, suggesting some claimants possessed sufficient means and did not necessarily need the support. Unpublished data from Revenue Scotland provides evidence on the extent to which the first-time buyer relief is being used in higher-value property transactions. In the first two quarters of 2025/26, approximately 11,400 claims were received for the relief. Of these, over 15.7% related to properties valued above £300,000, including more than 1.5% with values exceeding £500,000.

Others highlighted that a £500,000 threshold would rarely be exceeded in Scotland due to generally lower property values. A few contributors opposed the idea of a cap altogether, with one solicitor arguing it would be difficult to design a fair system given regional house price differences. For instance, properties in larger cities, such as Edinburgh, tend to be significantly more expensive than elsewhere. Another stakeholder proposed offering greater relief for lower-value properties but questioned whether the added complexity would be worthwhile.

Alignment with Net Zero and Just Transition

Summary

This table provides a summary of our analysis of LBTT's alignment with Scotland's Net Zero and Just Transition objectives.

Objectives	• Scotland has committed to achieving Net Zero greenhouse gas emissions by 2045 and ensuring a "Just Transition," such that the move to a green economy is fair and equitable, distributing costs and benefits in a way that does not exacerbate social inequalities (Scottish Government, 2025a).
Current alignment of reliefs and mechanisms	• Non-residential/mixed: By taxing non-residential/mixed-use property at lower rates, the system arguably incentivises or eases investment in commercial property, agriculture, and mixed land uses, which could align with Net Zero goals in certain cases (e.g., making it cheaper for a conservation organisation to buy a piece of land for rewilding). But it could also work against the climate or just the outcomes. For instance, Scotland has seen the rise of so-called "green lairds" – wealthy companies buying vast estates for carbon offsetting or forestry, which can price out local communities and concentrate land ownership (Macfarlane and Brett, 2022; Community Land Scotland, 2024). • MDR and 6+ dwellings ADS exemption: By reducing tax on multiple residential purchases, these reliefs can encourage big projects, which incorporate green technology. At the same time, they strongly favour large investors, potentially concentrating ownership and working against Just Transition principles of community empowerment (Macfarlane and Brett, 2022). • ADS: By heavily taxing the purchase of second homes and investment residential properties, the ADS may promote year-round occupancy and ease pressure to build additional dwellings, which has a potential carbon benefit. However, it risks pushing costs onto renters and could lead to greater travel emissions generated in travelling to a second home (Adam and Phillips, 2025). • First-time buyer relief: It promotes home ownership among younger/lower-income households and may indirectly encourage retrofits (since owner-occupiers have stronger incentives than landlords). However, it does little to favour low-carbon homes, given that a first-time buyer gets the tax saving even if purchasing a poorly insulated, high-emission

	property.
Comparative analysis	• Scotland's LBTT, England and Northern Ireland's SDLT, and Wales's LTT do not incorporate explicit climate-related incentives or penalties. • The UK experimented with a zero-carbon homes SDLT relief from 2007-2012, which granted a full SDLT exemption on the first acquisition of a newly constructed home that met stringent emissions standards, but it was discontinued (UK Government, 2007). • Stakeholders in Wales have suggested the possibility of variable LTT rates tied to energy efficiency or an LTT rebate for retrofits, but no policy decision has been made (Jofeh, 2022).
Findings from stakeholder engagement	• Stakeholders strongly supported improving Scottish housing energy performance to achieve Net Zero, but were divided over whether LBTT is an effective tool for this purpose. Supporters proposed linking LBTT rates to EPC ratings or offering rebates for post-purchase energy upgrades, believing this could incentivise retrofitting, support local jobs, and promote a fair Just Transition. • Others warned of unintended consequences, including disadvantaging older buildings, distorting the housing market, and adding complexity to the tax system. Many doubted that LBTT incentives would significantly change behaviour and raised concerns about the reliability of EPC ratings or the suitability of the tax for environmental goals. • Alternative suggestions included grants, VAT reductions on green improvements, and existing retrofit schemes, which were seen as more direct and effective. Overall, while LBTT could provide some support, many felt it should be part of a broader toolkit rather than the principal mechanism for encouraging energy efficiency and decarbonisation.

Objectives

Scotland has committed to achieving Net Zero greenhouse gas emissions by 2045 and ensuring a "Just Transition," such that the move to a green economy is fair and equitable, distributing costs and benefits in a way that does not exacerbate social inequalities (Scottish Government, 2025a). In this section, we assess the degree to which LBTT reliefs and mechanisms that have been the focus of previous sections align with Scotland's Net Zero objectives and principles of a Just Transition. This involves examining whether these tax policies encourage environmentally sustainable outcomes (like energy efficiency, optimal land use, and reduced carbon emissions) and whether they promote fairness in the context of structural changes (for example, housing affordability and community wellbeing, which are part of a Just Transition in housing). The box below summarises Scotland's Just Transition objectives, as published by the Scottish Government in response to the Just Transition Commission.

Box 2 Scotland's Just Transition objectives

"Citizens, communities, and place: Support affected regions by empowering and invigorating communities and strengthening local economies."

"Jobs, skills, and education: Equip people with the skills, education, and retraining required to support retention and creation of access to green, fair, and high-value work."

"Fair distribution of costs and benefits: Address existing economic and social inequality by sharing the benefits of climate action widely, while ensuring that the costs are distributed on the basis of ability to pay."

"Business and economy: Support a strong, dynamic, and productive economy, which creates wealth and high-quality employment across Scotland, upholds the UN Guiding Principles on Business and Human Rights, and continues to make Scotland a great place to do business."

"Adaptation and resilience: Identify key risks from climate change and set out actions to build resilience to these risks, ensuring our economy is flexible, adaptable, and responsive to the changing climate."

"Environmental protection and restoration: Commit to act within our planetary boundaries while protecting and restoring our natural environment."

"Decarbonisation and efficiencies: Contribute to resource efficient and sustainable economic approaches that actively encourage decarbonisation, support low-carbon investment and infrastructure, and avoid carbon 'lock-in'."

"Further equality and human rights implementation and preventing new inequalities from arising: Address fuel poverty and child poverty in a manner consistent with Scotland's statutory targets on each, while furthering wider equality and human rights across all protected characteristics."

Source: Scottish Government (2021a)

Current alignment of reliefs and mechanisms

Non-residential and mixed-use properties

Although not an explicit aim of the policy, LBTT's treatment of non-residential and mixed-use property could have indirect implications for land use and climate objectives. By taxing non-residential transactions at lower rates and excluding them from the ADS, the system arguably incentivises or at least eases investment in commercial property, agriculture, and mixed land uses. This might align with Net Zero goals in certain cases – for instance, making it cheaper for a conservation organisation to buy a piece of land for rewilding or peatland restoration (since that would be a non-residential transaction) as compared to if that land had a dwelling on it and is treated as a residential transaction. Similarly, a business purchasing property for renewable energy projects (wind/solar farms) benefits from the non-residential LBTT structure, leaving more capital to invest in the project itself.

However, there are also scenarios where the more favourable non-residential rate structure could work against climate or just outcomes. One concern in Scotland has been the rise of so-called "green lairds" – wealthy companies buying vast estates for carbon offsetting or forestry. While this may support climate goals in principle, it can price out local communities and concentrate land ownership. Under LBTT, large land acquisitions for non-residential purposes are not penalised, being exempt from the ADS and taxed at non-residential bands, which are capped at 5% on the portion above £250,000. In view of this, Community Land Scotland has proposed a sliding-scale tax on land purchases above certain hectare thresholds, with punitive rates for very large aggregate holdings, explicitly citing the ADS on second homes as a model (Macfarlane and Brett, 2022; Community Land Scotland, 2024). As of now, no such supplement exists.

A further point is that the mixed-use classification in LBTT can sometimes encourage keeping or incorporating a non-residential element in a property deal, which can have mixed climate implications. On the one hand, encouraging mixed-use developments (e.g., ground-floor commercial with flats above) is often seen as sustainable urban planning – it reduces travel needs and land take. LBTT's relatively favourable treatment of mixed-use property could somewhat support the viability of such projects. On the other hand, some may take advantage of these provisions to classify a largely residential purchase as mixed-use by including a token non-residential component. If this component took the form of acquiring a piece of farmland with a home, it might result in that land remaining underutilised rather than sold separately to someone who would actively farm or reforest it. Such distortions are likely minor, but they show the importance of clearly aligning tax rules with desired land outcomes.

MDR

The MDR is largely an economically driven relief intended to avoid penalising bulk housing purchases. Its Net Zero or Just Transition alignment is not obvious at first glance, but there are some points to consider. Notably, by reducing the tax burden on acquiring multiple homes, the MDR can encourage developers to take on projects that add housing units or refurbish several units at once. This could be a positive for sustainable communities if it leads to the rejuvenation of derelict properties or the creation of denser housing (multiple flats where perhaps one big house stood). Denser housing may be more energy-efficient (e.g., due to shared walls) and could support walkable communities, aligning with lower-carbon living.

The MDR might also facilitate institutional landlords or councils (notably Registered Social Landlords) to buy portfolios of homes for rental or social housing in cases where other tax reliefs for the provision of affordable housing do not apply. If a housing association can buy ten flats at a lower tax cost, that saving could be invested in improving those flats (e.g., updating heating systems and insulation). It is also worth noting that a block of ten flats under one owner is easier for planning a retrofit (like installing modern heating for the whole block) than ten individual owners coordinating. In that sense, MDR might enable better-quality, energy-efficient renovations by freeing up capital and supporting systematic upgrades. However, it should be noted that the MDR in its current form has no link to energy or emissions performance; an investor gets the relief whether they plan to eco-renovate the dwellings or not. Introducing such a condition may help to better align incentives with Scotland's Net Zero objectives, but may be difficult to enforce, given that the LBTT is an event-based tax.

The MDR may also raise some concerns in a Just Transition context. Coupled with the 6+ dwellings ADS exemption rule, it creates a situation where large property investors pay proportionally less tax than small ones. This could be viewed as regressive within the housing sector – a small landlord buying two flats gets a bit of relief via the MDR, but still pays ADS on both, whereas a big fund buying 50 flats would pay no ADS and benefit from a lower effective LBTT rate per flat. This preferential treatment for scale might concentrate ownership and potentially drive up prices for first-time buyers if big investors compete for the same stock. A Just Transition would ideally empower communities and local economies, in line with the notion of community wealth building, which seeks to redirect wealth back into local communities (Macfarlane and Brett, 2022).

ADS and 6+ dwellings exemption

The ADS, though conceived as a housing policy, has some clear intersections with climate and Just Transition considerations. By heavily taxing the purchase of second homes and investment residential properties, the ADS can, in principle, promote fuller year-round occupancy and ease pressure to build additional dwellings. This has a potential carbon benefit because the construction of a new home carries substantial embodied carbon – up to ~800 kg CO_2e per m², implying tens of tonnes of CO_2e per typical dwelling (Low Energy Transformation Initiative, 2020). Fewer additional dwellings required at the margin may therefore imply lower embodied-carbon demand, other things equal.

Furthermore, the ADS is a highly material revenue stream within the broader LBTT, generating £257.8 million in revenue in 2024/25. This accounted for roughly 27% of total LBTT revenues that year (Revenue Scotland, 2025h). The Scottish Fiscal Commission have also estimated that the rise in the ADS rate from 6% to 8% in 2024 would generate an additional £32 million in 2025-26 (Scottish Fiscal Commission, 2025). Revenues from the ADS are not hypothecated, but nevertheless they increase fiscal space for priorities, such as affordable housing or climate programmes.

A less clear benefit is the potential for reduced discretionary travel to and forth from second homes via surface transport. Surface transport is currently the UK's highest emitting sector (Climate Change Committee, 2025). While the contribution of travel to second homes to current emissions could conceivably be significant, it is also possible that households deterred from buying a second home would still take the same number of trips to, for example, reside in rental stays, potentially making up or even exceeding the travel emissions they would have generated in travelling to a second home. It is also worth noting that the stock of second homes has declined markedly since the early 2010s; therefore, travel to these properties is unlikely to be contributing to rising emissions (Scottish Government, 2025d).

The steep ADS increases in Scotland can also be partly justified on Just Transition grounds. While the explicit rationale has focused on discouraging multiple home ownership to free up housing stock for first-time buyers (see Scottish Parliament, 2025), the policy can also be seen as promoting house ownership by locals and therefore community sustainability. This sits alongside recent council tax changes, which appear to have helped reduce the stock of second homes (Scottish Government, 2025d), further supporting the Scottish Government's Just Transition objective of "citizens, communities, and place" (see Box 2) and the resulting emphasis on "living locally" in the Scottish Government's National Planning Framework 4 (Scottish Government, 2021a; Scottish Government, 2023b).

However, the ADS and its recent rate increases can also be seen as undermining the Scottish Government's "citizens, communities, and place" and "fair distribution of costs and benefits" objectives if renters face higher rents because of the increased cost to landlords. This poses a distributional risk whereby some of the tax burden may inadvertently fall on lower-income households that are substantially renters. Indeed, this argument is made by the IFS in their criticism of the 2024 rate increase (Adam and Phillips, 2025). It should be noted that the existence of the 6+ dwellings ADS exemption may limit the impact on renters somewhat by sparing larger-scale rental providers, pushing the tax onto smaller landlords and second homeowners instead.

The full relief from ADS and use of non-residential rates for 6+ dwelling transactions was not designed with climate objectives in mind, but it does have significant ramifications, which mirror those of the MDR. In particular, by making large residential acquisitions cheaper, the 6+ dwellings ADS exemption encourages institutional investors, developers, and social landlords to undertake big projects, which may incorporate green technology more readily. It may also facilitate institutional landlords or councils buying portfolios of homes for rental or social housing, thereby supporting Just Transition objectives. At the same time, by encouraging concentrated ownership, the 6+ dwellings ADS exemption may also undermine Just Transition objectives of community empowerment.

First-time buyer relief

First-time buyer relief is fundamentally a social policy lever, not an environmental one, with its purpose to help new buyers get on the property ladder by reducing upfront tax costs. In terms of alignment with Just Transition principles, one could argue that the first-time buyer relief supports intergenerational equity and social justice by aiding younger and less wealthy households to own a home. In addition, owner-occupiers generally have more incentive to retrofit for energy efficiency (to reduce bills and improve comfort) than landlords might. Thus, indirectly, first-time buyer relief could result in more houses being potentially upgraded, although this is speculative and likely marginal in our view.

From a Net Zero perspective, one could critique that the first-time buyer relief (and indeed LBTT as a whole) does little to favour low-carbon homes, given a first-time buyer gets the tax saving even if purchasing a poorly insulated, high-emission property, and there is no direct incentive to upgrade the property's efficiency. As with the MDR, introducing a link between the relief and energy or emissions performance could result in better alignment with Net Zero objectives. However, this could potentially lead to unjust outcomes if separate financial support were not made available to support first-time buyers undertaking the needed upgrades.

Comparative analysis

This section presents a comparative analysis of LBTT's alignment with Net Zero and Just Transition goals in Scotland, vis-à-vis SDLT in England and Northern Ireland, and LTT in Wales.

Key differences between LBTT and SDLT

As of 2025, LBTT is not explicitly tied to climate or energy efficiency objectives – it is based purely on the price and property type, as well as considerations regarding the nature of the transaction, but with no adjustments for whether a building has net zero carbon features. The same is presently true in England and Northern Ireland: SDLT does not vary by a property's Energy Performance Certificate (EPC) rating or carbon footprint. However, the UK did experiment with a zero-carbon homes SDLT relief from 2007-2012, which granted full SDLT exemption on the first acquisition of a newly constructed home meeting stringent emissions standards (a "zero-carbon home") up to a purchase price of £500,000. For first purchases of a zero-carbon home with a price more than £500,000, the relief was a £15,000 reduction in the buyer's SDLT bill (UK Government, 2007). However, the relief was discontinued after September 2012 as few qualifying transactions occurred and its design led to tax revenue losses on any uptake (UK Parliament, 2019). Such a relief has never been mirrored in Scotland under LBTT.

There have since been calls to revive such incentives. For example, a report to the UK Government by the Green Finance Taskforce recommended piloting a scheme to link SDLT rates to energy efficiency – effectively a green adjustment to stamp duty – which was subsequently endorsed by the House of Commons' Environmental Audit Committee (Green Finance Taskforce, 2018; House of Commons, 2021). Likewise, industry groups such as the UK Green Building Council have proposed a low-energy adjustment to SDLT designed to incentivise buyers to improve their home's energy performance in the first two years since purchase (UK Green Building Council, 2021). As of now, however, these ideas remain at the proposal stage.

Scotland's Just Transition agenda has not yet been reflected in LBTT policy in an explicit way, but one area where LBTT potentially intersects with a Just Transition is in its treatment of second homes, which are actively discouraged through the ADS. However, as mentioned, this policy may inadvertently exacerbate inequalities if landlords pass on the additional tax cost to renters, as cautioned by the IFS (Adam and Phillips, 2025). A recent SDLT change, which mirrors the ADS rate increases, and its potential Just Transition implications are the increased rates on additional dwellings (raised to five percentage points above main rates in 2024), which shares a stated objective of freeing up stock for main home and first-time buyers (HM Revenue & Customs, 2024).

Key differences between LBTT and LTT

Neither Scotland's LBTT nor Wales's LTT presently incorporates explicit climate-related incentives or penalties, and both have so far only tangential connections to their governments' Net Zero and Just Transition agendas. The Welsh Government's current Carbon Budget does not mention LTT as a tool for driving emissions reductions in buildings, emphasising building standards and retrofit programmes instead (Welsh Government, 2021b). Similarly, as discussed, Scotland's LBTT has no scheme linking tax to environmental performance. There have been ideas floating in both countries: for example, stakeholders in Wales have suggested the possibility of variable LTT rates tied to energy efficiency or an LTT rebate for retrofits, thereby incentivising energy improvements at the point of sale (Jofeh, 2022).

Where there may be some degree of (indirect) alignment is in a Just Transition context with the social equity dimension of these taxes. Both Scotland and Wales structured their property taxes to be more progressive than pre-devolution SDLT, aiming to make the overall system fairer (Office for Budget Responsibility, 2024). Furthermore, the additional dwelling supplement in both countries can be seen as tools to curb speculative investment that drives up prices for locals, thereby promoting the social sustainability of communities. However, as noted previously, such an increase in tax rates can exacerbate inequality if the additional tax cost is passed on to renters (Adam and Phillips, 2025).

Findings from stakeholder engagement

Summary of findings

Stakeholders broadly agreed that improving Scotland's housing energy performance is crucial for achieving Net Zero, but opinions differed on whether LBTT would be an effective tool to support this goal. Supporters argued that LBTT could incentivise greener homes by linking tax rates to a property's EPC rating or by offering rebates for post-purchase upgrades. Such measures could prompt buyers to invest in energy-efficient renovations or install clean heating systems like heat pumps at the time of purchase. Some stakeholders believed that linking LBTT to energy performance could stimulate retrofit markets, create local jobs, and support a fairer Just Transition by encouraging wealthier homeowners to invest more. However, opponents warned of unintended consequences, such as penalising older buildings, distorting the housing market, and overcomplicating the tax system. Many questioned the reliability of EPC ratings and doubted that LBTT incentives would meaningfully change behaviour. Others suggested alternative mechanisms, such as grants, VAT reductions on green improvements, or existing retrofit schemes, as more effective ways to drive decarbonisation.

How can LBTT support Net Zero goals?

Stakeholders generally agreed that many people in Scotland currently live in homes with relatively poor energy efficiency and that improving the housing stock's energy performance was an essential long-term goal. Most felt that the existing LBTT was not a source of influence on environmental objectives in either direction; however, some observed that funds spent on LBTT could otherwise be used by the taxpayer to improve the energy efficiency of homes. Opinions were divided on whether LBTT could serve as an effective policy lever for achieving the Scottish Government's net zero ambitions.

Use of LBTT to support Net Zero and Just Transition objectives

Among those in favour, several stakeholders proposed ways in which LBTT could contribute to Scotland's environmental goals, particularly by incentivising improvements in home energy efficiency and promoting the switch to clean heating systems, such as heat pumps and electric boilers. A number of participants viewed LBTT as a potentially effective means to encourage property owners to act. As a point-of-purchase tax, it targets people when they are making major investment decisions about their homes, which was noted as an ideal moment to prompt consideration of energy upgrades.

Newly purchased properties are often renovated for aesthetic or functional reasons, making this a practical stage to incorporate upgrades, such as underfloor insulation or low-carbon heating. Some also noted that buyers typically have access to mortgage finance, which could facilitate such improvements. One interview participant also emphasised that using the tax as a behavioural nudge would be less politically polarising than more coercive measures, such as prohibitions or mandatory upgrades. They also observed that achieving net zero requires not only government investment but active participation from homeowners.

Incentive to increase the energy efficiency of buildings

Many stakeholders, particularly those involved in Net Zero and the Just Transition, supported linking LBTT rates to a property's EPC rating. The EPC rating assesses features such as insulation, heating systems, windows, and lighting to estimate a building's energy efficiency. It provides both a numerical score and a band ranging from A (most efficient) to G (least efficient). Under this proposal, properties with higher EPC ratings could attract lower LBTT rates, while less efficient buildings might face higher rates. The adjustment could either be structured by EPC band (for example, a 2% reduction for properties in band A) or scaled continuously according to the numerical rating.

Stakeholders suggested that linking LBTT rates to energy performance could incentivise the construction of greener homes and encourage existing homeowners to invest in energy-efficient upgrades. To maintain fiscal neutrality, higher rates on less efficient properties could offset reductions for those performing better. Over time, the neutral point, where homes above it pay less tax, and those below pay more, could gradually rise as the housing stock becomes more energy efficient. Even if designed to be revenue-neutral, stakeholders believed such a reform could still generate wider economic benefits. These include stimulating local markets, supporting small businesses, and creating jobs in the building and retrofit sectors. Encouraging people to move into more efficient homes could also free up larger properties for other families, reduce government spending on winter fuel payments, and help create a more dynamic, liquid housing market.

Several stakeholders also proposed that, in addition to or as an alternative approach, LBTT could be used to incentivise improvements in a property's energy efficiency. This could be achieved through lower rates of LBTT or a rebate for new homeowners who commit to carrying out energy efficiency upgrades within a defined period after purchase, for example, within two years. The improvements could be tracked through changes in the property's EPC rating, with a post-upgrade rating compared to the initial assessment. Some stakeholders favoured this approach as it would not only reward the purchase of energy-efficient homes but also encourage the retrofitting and upgrading of existing housing stock. One landlord commented that such a scheme could motivate them to acquire neglected properties and bring them back up to standard. Another stakeholder added that improving energy performance could also enhance property values, creating incentives for both sellers and buyers.

Some stakeholders also highlighted the potential benefits of utilising EPC ratings as a measure of efficiency. They noted that EPCs are an established measure already used to help property owners assess the energy performance of their buildings, making it a clear and tangible indicator for any tax adjustment. One organisation working in the net-zero space further observed that an EPC-based approach would be technologically neutral, as it would not require the government to promote specific technologies or retrofit options. Property owners could therefore choose the most suitable interventions, such as upgrading lighting, improving windows, installing solar panels, fitting a heat pump, or undertaking other measures that enhance their EPC rating. However, stakeholders acknowledged that exemptions or adjustments might be necessary for certain property types. This could include listed buildings, or homes built before 1919, where improving energy efficiency is particularly challenging, as well as apartments where a lack of outdoor space can make the installation of some technologies, such as heat pumps, impractical.

Incentive to install clean heating

Another organisation working in the green energy space suggested that, rather than linking LBTT to a property's EPC rating or overall energy efficiency, it would be more effective to tie it to the installation of clean heating systems, such as electric boilers and heat pumps. The organisation has previously conducted research on the potential impacts of requiring certain households to install clean heating systems after purchasing a home and noted that this concept could feasibly be integrated with LBTT. Instead of relying on EPC ratings, which can be complex and variable, the proposal would use a straightforward criterion: whether or not a property has clean heating. Clean heating can be defined as "a system capable of providing heat without producing any greenhouse gas emissions at the point of use" (ClimateXChange, 2024). This approach would create a clear distinction between properties with and without clean heating systems and provide a simpler, more transparent incentive to make the switch. The stakeholder also recommended an alternative mechanism whereby recent homebuyers who enter a grant scheme to install a heat pump could receive a £500 rebate on their LBTT liability. The organisation emphasised that the transition to clean heating represents the major current challenge and the area requiring the largest investment, as most homes in Scotland remain heated by gas or oil. They noted that significant decarbonisation gains will come from this shift to clean heat, whereas most homes have already benefited from energy efficiency measures, such as cavity wall and loft insulation.

Alternative uses of LBTT to support Net Zero goals

Several stakeholders proposed alternatives to using EPC ratings, suggesting approaches that focus on specific, verifiable energy improvement measures. One landlord argued that linking tax incentives to demonstrable low-carbon performance, such as solar PV generation with measurable output, would be more effective than relying on EPC ratings, which can be inconsistent.

Another stakeholder referred to past energy performance-related tax reliefs, including the former Zero Carbon Homes Relief under SDLT, which applied to properties achieving zero net carbon emissions from energy use over a year. A further stakeholder argued that, rather than rewarding newer, energy-efficient homes with lower LBTT rates, the policy should instead prioritise older, traditional buildings. They explained that modern developments, though highly energy-efficient, are often constructed on greenfield sites at the edges of towns, indirectly increasing carbon emissions through factors such as car commuting. In contrast, older stone buildings in town centres are expensive and complex to convert under current regulations and applying higher LBTT to such properties would make their reuse even less feasible.

A few stakeholders also suggested that LBTT could more effectively encourage energy performance improvements if it were levied on sellers rather than buyers. This shift could incentivise sellers to upgrade their properties before sale, aligning with the plans of many sellers to upgrade properties prior to selling. They felt this approach would be simpler than introducing a post-transaction rebate initiative, such as that of the ADS. However, not all stakeholders agreed, with some warning that sellers, particularly those under financial pressure, may wish to sell quickly and would be harmed by additional pre-sale requirements.

Just Transition considerations

Stakeholders offered a range of views on how LBTT could support the Scottish Government's Just Transition ambitions to end Scotland's contribution to climate change in a fair and inclusive way.

Stakeholders noted that LBTT, if designed to advance Net Zero goals, could align well with the principles of a Just Transition due to its progressive nature. Residential property purchases under £145,000 are currently exempt from LBTT, which protects lower-income buyers from being affected by any rate changes linked to energy performance. Since higher-value properties face proportionally higher tax charges, the system could encourage those buyers who generally have greater means to invest in energy efficiency improvements. Several stakeholders highlighted that LBTT primarily affects homeowners, who are typically better resourced and less likely to experience poverty than the general population.

If higher rates were to apply to less energy-efficient properties, or if buyers were required to make improvements, stakeholders stressed the importance of reliefs and exemptions to protect less affluent households. They suggested that first-time buyers and those purchasing properties at the lower end of the LBTT threshold should be exempt from additional rate increases or investment requirements, given their limited disposable income. However, others stressed that lower-value properties should still be encouraged to improve energy efficiency, suggesting that instead of full exemptions, they could be supported through extended compliance periods and targeted financial assistance.

One stakeholder proposed LBTT reliefs for a wider range of housing types, including temporary and emergency accommodation, as well as homes for victims of domestic abuse. They argued that all forms of affordable housing should be exempt from LBTT, as such developments generate clear social benefits. They also suggested that properties delivering demonstrable social value should not face additional tax burdens, as this would encourage development and improve housing supply.

Financing energy performance improvements emerged as a key concern. Stakeholders underscored the importance of coordinating tax policy with wider Scottish Government energy and retrofit support schemes to enable property owners to fund necessary upgrades. While the long-term savings from improved energy efficiency can eventually offset investment costs, the high upfront expense, for example, typically £12,000 to £15,000 for a heat pump, remains a barrier. Existing support schemes, such as the £7,500 grant and an additional £7,500 interest-free loan available for clean heating installations, were cited as positive examples. However, several contributors raised concerns that current universal grants can be regressive and financially unsustainable if uptake rises sharply. One organisation working on Just Transition policy, therefore, proposed tapering grants according to property value, offering the full grant for the least expensive homes and reducing support for higher-value properties. Another stakeholder also suggested that, within a Just Transition framework, LBTT revenues could be hypothecated to fund community land initiatives. This would help redistribute benefits and ensure that all communities, particularly those less able to invest in net-zero measures, can take part in and benefit from place-based environmental projects.

Nonetheless, some stakeholders questioned the extent to which LBTT can support a Just Transition, as many low-income households do not purchase property. These groups often live in social housing or low-quality private rentals, particularly in rural areas characterised by poor energy efficiency and reliance on expensive heating sources. Others noted that LBTT-based incentives may disproportionately benefit wealthier households, since many lower-value transactions are already exempt from the tax. Stakeholders proposed parallel funding mechanisms to ensure renters and lower-income households receive comparable support to improve energy efficiency. Finally, one respondent cautioned that property value does not always correlate with financial capacity, citing, for instance, older homeowners with valuable properties but limited income, underscoring the need for policies sensitive to cash flow and asset value.

Potential unintended consequences

Whilst some stakeholders supported the potential use of LBTT to advance net zero and just transition objectives, many others strongly opposed the idea, arguing that LBTT was not an appropriate mechanism to achieve environmental goals.

Several stakeholders highlighted the challenges posed by Scotland's older housing stock, much of which dates from the Victorian and Georgian eras. It was noted that many such properties cannot be easily retrofitted to improve energy efficiency and may never achieve a higher EPC rating. Examples included older buildings where additional insulation may cause dampness or where listed status prevents window replacements with double glazing. Stakeholders were concerned that linking LBTT rates to EPC performance could disadvantage older properties, making them less desirable and further depressing demand for buildings in towns and village centres that are already difficult and expensive to convert under modern building regulations. This could result in more vacant or derelict buildings rather than supporting greater sustainability.

Stakeholders also pointed out that current building standards already require high-energy-efficiency performance in new developments, making further LBTT incentives unnecessary. Differential LBTT rates could, however, increase the desirability, and therefore prices, of new builds while depressing the value of older homes. One stakeholder noted that landlords typically account for energy efficiency upgrades in upfront purchase and rental calculations, so if LBTT were linked to EPC ratings, this could effectively become a "seller tax" for owners of less efficient homes, particularly older ones needing substantial upgrades. Buyers would likely discount offers to reflect additional costs, creating potential bottlenecks in the housing market. Some participants acknowledged that rewarding higher-performing properties could steer buyers toward greener buildings but cautioned that this might inflate prices without shifting behaviour. Others warned that such a policy could increase the costs associated with moving home, slowing overall housing market activity. Other stakeholders expressed similar concerns, noting that owners of non-residential properties already face significant pressure due to energy-efficiency regulations. Imposing further LBTT-linked restrictions could add to these challenges. Regional disparities were also highlighted since cities such as Edinburgh and Glasgow tend to have more energy-efficient building stock compared with rural areas. LBTT exemptions for high-EPC properties could therefore concentrate investment in urban centres and widen existing regional inequalities.

Issues related to the just transition and the potential for relief on lower-value properties were raised. It was noted that while buyers of lower-value homes are less likely to have the disposable income needed to install these systems, it is also important to avoid creating incentives that primarily benefit higher-value homes, leaving lower-value properties without clean heating systems or energy-efficiency improvements. Participants also questioned whether the scale of the rebate would be sufficient to drive real behavioural change. Small increases in tax might simply be absorbed as an added cost rather than a meaningful incentive. Many felt that the current financial support already fails to motivate change.

Another question raised was whether any tax changes would actually be sufficient to influence behaviour. If the incentive is too small, most people are likely to absorb the additional tax instead of changing their actions. It was noted that existing financial support mechanisms are already in place but appear inadequate to drive meaningful change. One view was that, given the current levels of LBTT paid, the proposed discount would not differ significantly from the grants currently available and could therefore send only a weak signal. Another lawyer highlighted the challenge of aligning incentives without creating complexity in the tax system, noting that it is often the seller who invests in improving energy efficiency, while the buyer benefits through a reduced LBTT rate.

Several participants raised concerns about the reliability and consistency of EPC ratings. One landlord commented that the EPC system was not a dependable measure of energy performance, explaining that insulation upgrades to a low-rated property made no difference to its EPC score. He also observed that tenants rarely considered EPC ratings when choosing a property. Another stakeholder described EPC assessments as inconsistent, often producing scores that depended more on the individual assessor than on actual improvements. They cited examples where genuine upgrades, such as fitting insulated plasterboard or replacing old double glazing, significantly improved comfort and efficiency but were not reflected in the EPC rating. Others added that EPCs can inadvertently encourage the use of gas heating, even as other policies discourage it. Another stakeholder also emphasised potential risks around misconduct or manipulation in the certification process, highlighting the need for tighter regulation. Finally, participants stressed that EPCs capture only a snapshot in time, often failing to account for low-carbon heating systems and raising concerns about whether small differences between bands could justify significant differences in tax rates.

Questions were also raised about the underlying purpose of the tax. Several stakeholders observed that aligning it with Net Zero ambitions would represent a fundamental shift in its objective, from primarily raising revenue to supporting environmental outcomes. At present, the tax serves mainly as a revenue-raising measure, but this could change if its purpose were reoriented towards achieving Net Zero goals. A stakeholder further noted that if such changes were successful and more homes improved their energy efficiency, tax revenues would likely fall. This would undermine the tax's existing objective, potentially requiring the government to seek alternative sources of income.

Stakeholders also raised concerns that linking the tax to Net Zero targets could increase its complexity. They argued that introducing an additional factor to determine LBTT owed on a property transaction would make it more difficult to administer. One stakeholder warned of greater administrative burdens and the need for more building surveyors to assess energy performance. Others highlighted the challenges homeowners face with technologies such as heat pumps and solar panels, which can be costly and complicated to install and use. A lawyer also commented on the added compliance burden for Revenue Scotland, noting their view that the agency is already under-resourced relative to its expanding responsibilities as new devolved taxes are introduced.

Several contributors suggested that existing policies and incentives aimed at improving the energy performance of homes are more effective mechanisms than using LBTT for this purpose. These include green mortgage products and lending rules, grants and interest-free loans for home upgrades, manufacturer obligations for boilers, energy performance requirements in the private rented sector, building regulations for new homes, and proposed measures in the Heat in Buildings Bill. One stakeholder also proposed that reducing or removing VAT on sustainable home improvements would be a more direct and effective way to encourage energy-efficient investments.

Conclusions and Policy Recommendations

This review has examined five key aspects of LBTT through comprehensive desk-based analysis and extensive stakeholder engagement. The evidence reveals a tax system that largely functions as intended, providing progressive taxation of property transactions while offering targeted reliefs to support policy objectives. However, questions remain about the effectiveness of certain reliefs in achieving their stated aims, the appropriateness of differential treatment across transaction types, and the potential for LBTT to contribute to broader environmental and social policy goals.

Stakeholder perspectives varied considerably across the areas examined, reflecting different interests, experiences, and policy priorities. This diversity of views underscores the complexity of property taxation policy and the challenges of balancing multiple objectives – revenue generation, economic support, housing affordability, environmental sustainability, and social equity – within a single tax framework. Moreover, literature such as Gibb and Leishman (2025) argues that distortions in the housing market are exacerbated by frequent changes to rates and reliefs, suggesting that further modifications to the current LBTT should be pursued only where there is a particularly strong case. A further consideration is that policy outcomes associated with behavioural changes are likely to be less efficiently delivered through a tax that is designed to generate revenue than a targeted programme (e.g., cash grants for clean heating). The policy recommendations that follow from this evidence synthesis aim to address identified issues while recognising these inherent tensions and trade-offs.

Recommendation 1: Maintain the mixed property rule with targeted research on apportionment

We do not believe there to be a sufficient case for modifying the mixed property rule. Evidence from this review indicates relatively limited use of the mixed property rule among stakeholders, with only 24% of individual investors in the survey aware of it. Stakeholder feedback on the mixed property rule varied, with some defending it as maintaining simplicity while others noted potential for abuse.

We recommend that the Scottish Government take forward targeted research to examine the feasibility and implications of apportionment approaches for mixed-use properties. This research should assess:

- The administrative burden of apportionment for both taxpayers and Revenue Scotland, recognising that comparable processes already exist in Additional Dwelling Supplement (ADS) calculations.
- The extent to which current arrangements create opportunities for avoidance through artificial structuring of transactions.
- The revenue and distributional implications of moving to an apportionment system.
- International and domestic precedents for property tax apportionment in comparable jurisdictions.

While stakeholder support exists for an apportionment approach that would tax the residential element at residential rates and the non-residential element at non-residential rates, the case for reform is not sufficiently strong to justify immediate action, given the relatively low utilisation of the current relief and generally mixed stakeholder sentiment. The recommended research would provide an evidence base for future policy development if concerns about avoidance or fairness intensify.

Additionally, the Scottish Government should work with Revenue Scotland to improve guidance on the residential versus non-residential classification. Legal professionals highlighted significant ambiguity in determining boundaries between residential and non-residential classifications, reporting considerable time spent establishing appropriate classifications. Stakeholders noted inconsistencies between Revenue Scotland and HMRC guidance despite often identical underlying legislation.

Recommendation 2: Retain multiple dwellings relief (MDR) in its current form

MDR should be retained without modification. The relief ensures that multiple dwelling transactions are not taxed at inappropriately high bands when the same dwellings purchased individually would attract lower rates, thereby supporting buy-to-let investors and large-scale purchases.

Between 2015/16 and 2024/25, MDR consistently represented a significant share of total LBTT revenue forgone, ranging from 7% to 15% of all foregone revenue. Survey evidence revealed very low awareness among individual investors, with only 21% aware of MDR prior to the survey and only 3% having claimed it. This suggests limited uptake among smaller landlords. However, larger landlords, developers, and investors described MDR as essential for making multi-property transactions financially viable, particularly in build-to-rent and student accommodation developments.

With regards to SDLT's MDR abolition due to widespread abuse, it should be noted that historic SDLT avoidance issues appear to be legacy problems from its former "slab" system rather than inherent flaws in the relief concept. However, Revenue Scotland should continue monitoring for avoidance activity.

Recommendation 3: Conduct research into how the ADS could be more effectively targeted to deter second home ownership whilst mitigating negative impacts on the private rented sector

While a detailed ADS review was outside this study's scope, stakeholder engagement and literature reviewed (e.g., Adam and Phillips, 2025) revealed significant concerns about the ADS's unintended impact on rental supply and rents. There were also questions as to whether the ADS should distinguish between second homes and buy-to-let properties in order to deter second homes, whilst reducing potential negative impacts on the rental market. Recognising that Scotland already gives local authorities the power to charge a council tax premium on second homes, a further policy option to this effect may be for the ADS to be applied to second and holiday homes and to offer an exemption or lower rate for properties intended for long-term rentals.

Recommendation 4: Maintain the 6+ dwellings ADS exemption threshold but review periodically

The Scottish Government should maintain the six-dwelling threshold, recognising that it successfully encourages large-scale investment in the residential and private rented sectors, as noted by multiple stakeholders. In recent years, this relief accounted for approximately 3-4% of total LBTT revenue forgone. The overall implication is that the current threshold balances support for institutional investment with revenue generation objectives. Furthermore, consistent evidence of "bunching" behaviour around the threshold was not reported by legal professionals.

However, noting that several smaller landlords and estate agents viewed the relief as unfairly benefiting large landlords and institutional investors, we also recommended a periodic review of the threshold. These stakeholders mentioned that the vast majority of Scottish landlords own only one or two additional properties, making the relief largely irrelevant to them. Concerns were raised about the potential concentration of property ownership and the exacerbation of wealth inequality.

Recommendation 5: Review the fiscal implications of increasing the threshold for first-time buyer relief and setting it on a regional basis

We recommend reviewing the precise fiscal implications of updating the current first-time buyer threshold to increase the relevance of the policy. The overall conclusion from the research is that the relief, as it currently stands, is "withering on the vine" through fiscal drag; the threshold has remained static (except during the COVID-19 pandemic) since the relief's introduction in 2018, while house prices have increased substantially. In addition, the impact analysis, although not causal, did not find clear evidence that the first-time buyer relief had a significant effect on first-time buyer transactions even when it was first introduced.

This view was echoed in the stakeholder engagement, where it was perceived as welcome but largely ineffective. Among recent first-time buyers, only 26% felt it had influenced their actual decision. It was also noted that regional variation means the relief is more effective in some areas (e.g., Fife, with average prices around £150,000) than others (Edinburgh, around £220,000). In view of this, one option is to explore setting different thresholds for different local authority areas or regions (e.g., based on their median first-time buyer purchase prices).

Recommendation 6: Explore alternatives to LBTT for incentivising a Just Transition to Net Zero

LBTT is a transaction tax that only affects people at the point of property purchase – an infrequent, irregular event. Effective Net Zero policy requires regular, ongoing incentives that influence behaviour consistently over time, not just at isolated moments of property transaction. As such, we recommend focusing resources on expanding and improving grants, loans, building regulations, and sector-specific requirements that provide regular, ongoing incentives for energy efficiency.

Stakeholder evidence highlighted potential for significant unintended consequences from linking LBTT to Net Zero objectives and noted that the administrative complexity and costs could be substantial. Contributors to this research cited the following as proposed or existing policies that may be better suited to supporting Scotland's Net Zero objectives: green mortgage products and lending rules, grants and interest-free loans for home upgrades, manufacturer obligations for boilers, energy performance requirements in the private rented sector, building regulations for new homes, and proposed measures in the Heat in Buildings Bill.

Appendix 1: Full timeline of legislation

The tables below summarise primary and secondary legislation pertaining to LBTT, the conferral of devolved taxation powers, the collection and management of LBTT, the setting of rates and bands, the introduction and modification of reliefs and supplements, transitional and administrative arrangements, and subsequent amendments.

Table 18. Timeline of primary legislation (Acts of Scottish Parliament)

Legislation	Description
Scotland Act 2012	Granted the Scottish Parliament power to replace the UK Stamp Duty Land Tax (SDLT) with a devolved equivalent for taxation of land transactions in Scotland. The Act also defined the scope of this devolved tax as a transaction tax applying to acquisitions of interests in land in Scotland (Scottish Government, 2012b).
Land and Buildings Transaction Tax (Scotland) Act 2013	Introduced LBTT as the basic framework for taxation of land transactions in Scotland, setting out the process by which LBTT operates (Figure 1). LBTT replaced SDLT in Scotland from 1st April 2015 (Scottish Government, 2013a; Revenue Scotland, 2023c).
Revenue Scotland and Tax Powers Act 2014	Put in place a statutory framework to enable the collection and management of LBTT and the Scottish Landfill Tax (the two devolved taxes under the Scotland Act 2012). It establishes Revenue Scotland as the tax authority responsible for collecting Scotland's devolved taxes from 1st April 2015 (Scottish Government, 2014a).
Land and Buildings Transaction Tax (Amendment) (Scotland) Act 2016	The 2016 Act amended the 2013 Act to introduce the ADS (Scottish Government, 2018c).
Land and Buildings Transaction Tax (Relief from Additional Amount) (Scotland) Act 2018	Gave retrospective effect to the Land and Buildings Transaction Tax (Additional Amount-Second Homes Main Residence Relief) (Scotland) Order 2017 – see in table below.

Table 19. Timeline of secondary legislation (Scottish Statutory Instruments)

Legislation	Description
The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 1) Order 2014	Brought into force the 2013 LBTT Act's enabling provisions, allowing Scottish Ministers to make subordinate legislation (Goundar, 2014).
The Land and Buildings Transaction Tax (Prescribed Proportions) (Scotland) Order 2014	Prescribed the proportions of tax payable when claiming MDR and acquisition relief, setting them at 25% and 12.5% of the tax that would otherwise be due (Scottish Government, 2014).

The Land and Buildings Transaction Tax (Qualifying Public or Educational Bodies) (Scotland) Amendment Order 2014	Updated the 2013 LBTT Act's list of qualifying public or educational bodies in sale-and-leaseback arrangements[17] following the Post-16 Education (Scotland) Act 2013 (Scottish Parliament, 2015).
The Land and Buildings Transaction Tax (Definition of Charity) (Relevant Territories) (Scotland) Regulations 2014	Expanded the scope of LBTT charities relief to include charities registered in Iceland, Norway, and Liechtenstein, in line with UK tax treaties (Scottish Parliament, 2015).
The Land and Buildings Transaction Tax (Administration) (Scotland) Regulations 2014	Enabled taxpayers to apply to Revenue Scotland to defer payment of LBTT in certain situations, mirroring the deferral mechanism used for SDLT in the same circumstances (Goundar, 2015).
The Land and Buildings Transaction Tax (Ancillary Provision) (Scotland) Order 2014	Empowered the Keeper of the Registers of Scotland (the official responsible for maintaining property records in Scotland) not to accept applications for registration of a deed implementing a notifiable land transaction until a tax return and payment have been made (Scottish Government, 2014).
The Land and Buildings Transaction Tax (Transitional Provisions) (Scotland) Order 2014	Ensured that transactions spanning the transition from SDLT to LBTT are taxed only once, under either SDLT or LBTT as appropriate (Revenue Scotland, 2023c).
The Land and Buildings Transaction Tax (Transitional Provisions) (Scotland) Amendment Order 2015	Made a minor technical amendment to the 2014 Transitional Provisions Order (Scottish Government, 2015b).
The Land and Buildings Transaction Tax (Addition and Modification of Reliefs) (Scotland) Order 2015	Introduced five LBTT reliefs corresponding to reliefs available under SDLT – namely: (i) friendly societies relief, (ii) building societies relief, (iii) visiting forces and international headquarters relief, (iv) property accepted in satisfaction of tax relief, and (v) lighthouses relief. It also modified the conditions for registered social landlords to qualify for LBTT relief, and provided full relief for transactions involving multiple crofts under the Crofting Community Right to Buy[18] (Scottish Government, 2015c).
The Land and Buildings Transaction Tax (Scotland) Act 2013 (Commencement No. 2) Order 2015	Brought into force the full provisions of the 2013 LBTT Act on 1st April 2015 (Scottish Government, 2015d).
The Land and Buildings Transaction Tax (Sub-sale Development Relief and Multiple Dwellings Relief) (Scotland) Order 2015	Established a sub-sale development relief for the first buyer in a land transaction involving sub-sale arrangements[19] where significant development is expected to take place. The Order also amended scope of MDR to apply only to the acquisition of multiple dwellings, not multiple dwellings and other property (Scottish Government, 2015a).

[17] A sale and leaseback transaction involves selling a property for a lump sum to an investor who then leases it back to the seller on a rent-payment basis (Clifford Chance, 2020).

[18] Crofting communities' right to buy eligible croft land regardless of whether the owner wishes to sell or not, introduced by the Land Reform (Scotland) Act 2003 (Scottish Government, 2025b).

[19] An arrangement in which a first buyer contracts to acquire land or buildings from a seller and, under a separate contract, agrees to sell all or part of that acquisition to a second buyer (Scottish Government, 2015x).

The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Order 2015	Set LBTT tax bands and percentage tax rates for each band in the case of residential property transactions and for non-residential property transactions and leases (Scottish Government, 2015e).
The Land and Buildings Transaction Tax (Open-ended Investment Companies) (Scotland) Regulations 2015	Established a relief from LBTT for authorised unit trusts[20] converting to or amalgamating with an open-ended investment company[21] (Scottish Government, 2015f).
The Land and Buildings Transaction Tax (Additional Amount-Second Homes Main Residence Relief) (Scotland) Order 2017	Applied a retroactive amendment to ADS rules to offer relief in certain situations where a main residence is being replaced by spouses and cohabitants (Dallas McMillan, 2017).
The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018	Introduced the first-time buyer relief (Revenue Scotland, 2024e).
The Land and Buildings Transaction Tax (Group Relief Modification) (Scotland) Order 2018	Extended LBTT group relief to intra-group property transfers involving share-pledge security arrangements[22], thus aligning with the rest of the UK (Hillan, 2018).
The Land and Buildings Transaction Tax (Tax Rates and Tax Bands etc) (Scotland) Amendment Order 2018	Reduced the lower rate of non-residential LBTT from 3% to 1%, increased the upper rate of non-residential LBTT from 4.5% to 5%, while lowering the threshold for the upper rate from £350,000 to £250,000, and increased the ADS rate from 3% to 4% (Scottish Government, 2018b).
The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Amendment Order 2020	Introduced a new 2% LBTT band in relation to non-residential leases where the NPV of the rent payable under the lease is above £2 million (Scottish Government, 2020a).
The Land and Buildings Transaction Tax (Tax Rates and Tax Bands) (Scotland) Amendment (No. 2) (Coronavirus) Order 2020	Temporarily increased the residential LBTT nil-rate band from £145,000 to £250,000 in response to COVID-19 for transactions up to and including 31st March 2021 (Scottish Government, 2020b).
The Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc.) (Scotland) Amendment Order 2022	Increased the ADS rate from 4% to 6% (Scottish Government, 2022b).
The Land and Buildings Transaction Tax (Green Freeports Relief) (Scotland) Order 2023	Established a new LBTT relief for land transactions in designated sites deemed to be underdeveloped, as part of the Green Freeports initiative[23] (Scottish Government, 2023c).

[20] A type of collective investment scheme authorised by the Financial Conduct Authority (Financial Conduct Authority, 2025).

[21] A type of collective investment scheme that is structured and incorporated as a company with variable capital (HM Revenue & Customs, 2025).

[22] Where a lender takes a pledge over shares of a purchasing company, such that it could obtain control of that company. In Scottish banking, this is a common method of pledging collateral to secure a loan (Hillan, 2018).

[23] A Green Freeport is a large, zoned area that includes a railway, seaport, or airport intended to: (i) promote regeneration and job creation, (ii) support decarbonisation and a Just Transition, (iii) establish a global trade and investment hub, and (v) foster innovation (Revenue Scotland, 2024j).

The Land and Buildings Transaction Tax (Miscellaneous Amendments) (Scotland) Order 2024	Made various changes to LBTT and ADS provisions, including creating a targeted LBTT relief for local authorities, introducing new ADS exemptions, and amending the timelines in ADS legislation from 18 to 36 months (Scottish Government, 2024b)
The Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc.) (Scotland) Amendment Order 2024	Further increased the ADS rate from 6% to 8% (Scottish Government, 2024c).
The Land and Buildings Transaction Tax (Group Relief and Sub-sale Development Relief Modifications) (Scotland) Order 2025	Ensured group relief is available in instances of non-partition demergers[24], and clarified the timing of the development period for sub-sale development relief (Scottish Government, 2025c).

[24] This refers to when a company splits their activities into two or more separate companies but with shareholders retaining the same proportion of shares in the demerged business as prior to the demerger (Finch, 2025).

Appendix 2: Materiality analysis graphs and figures

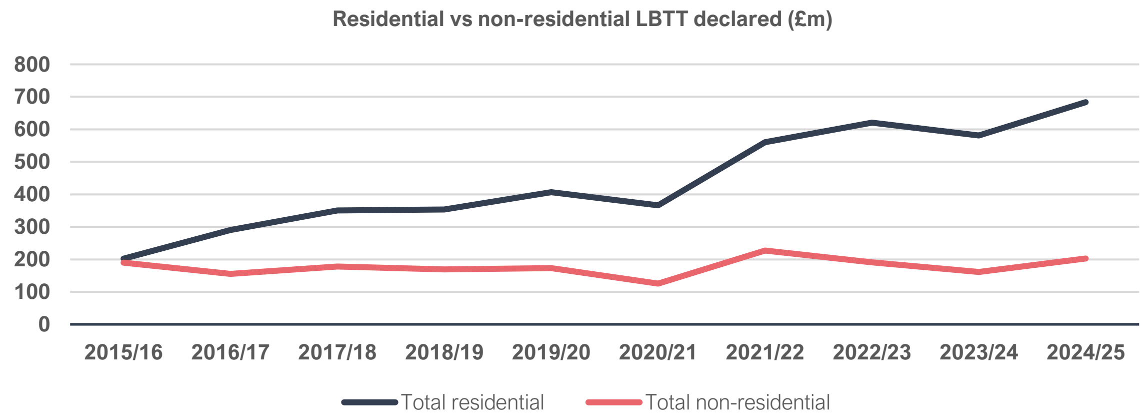
Non-residential and mixed-use treatment

Table 20. Total revenue declared broken down by residential and non-residential property transactions

Year	Total residential LBTT declared (£m)	Total non-residential LBTT declared (conveyances) (£m)	Percentage residential	Percentage non-residential
2015/16	202	189.6	52%	48%
2016/17	290.2	154.9	65%	35%
2017/18	350.8	178.1	66%	34%
2018/19	353.5	168.8	68%	32%
2019/20	406.5	173.1	70%	30%
2020/21	366.4	125.3	75%	25%
2021/22	560.7	227	71%	29%
2022/23	620.6	190.8	76%	24%
2023/24	581	161.5	78%	22%
2024/25	683.5	202.7	77%	23%

Source: Revenue Scotland (2025c)

Figure 27.



Source: Revenue Scotland (2025c)

Table 21. Total LBTT returns broken down by residential and non-residential property transactions

Year	Total residential conveyance returns	Total non-residential conveyance returns	Percentage residential	Percentage non-residential
2015/16	103,680	6,220	94%	6%
2016/17	100,500	6,810	94%	6%
2017/18	103,930	6,880	94%	6%
2018/19	103,750	7,160	94%	6%
2019/20	105,110	6,440	94%	6%
2020/21	96,850	5,930	94%	6%
2021/22	110,120	7,080	94%	6%
2022/23	102,580	7,050	94%	6%
2023/24	94,050	6,520	94%	6%
2024/25	102,100	7,470	93%	7%

Source: Revenue Scotland (2025c)

Table 22. Relief claims broken down by residential and non-residential transactions

Year	Total residential LBTT relief claims	Total non-residential LBTT relief claims[25]	Percentage residential	Percentage non-residential
2015/16	900	700	56%	44%
2016/17	1,050	770	58%	42%
2017/18	1,190	840	59%	41%
2018/19	9,180	840	92%	8%
2019/20	14,740	790	95%	5%
2020/21	2,310	730	76%	24%
2021/22	16,950	760	96%	4%
2022/23	17,010	840	95%	5%
2023/24	17,360	870	95%	5%
2024/25	21,360	1,070	95%	5%

Source: Revenue Scotland (2025c)

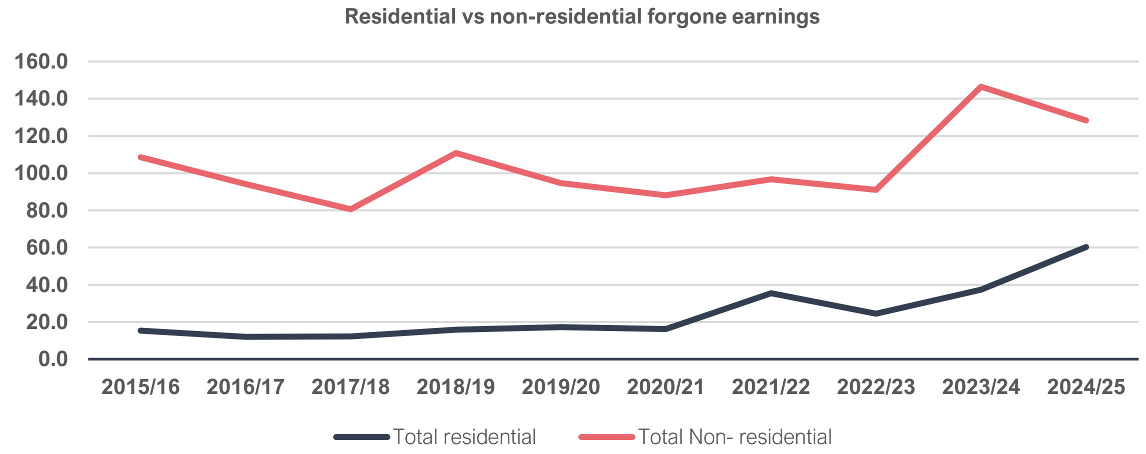
[25] Note that non-residential reliefs may apply to types of returns other than conveyances, such as new lease returns.

Table 23. Forgone earnings broken down by residential and non-residential transactions

Year	Total residential LBTT forgone earnings (£m)	Total non-residential LBTT forgone earnings (£m)	Residential percentage	Non-residential percentage	Residential forgone earnings as percentage of residential revenue	Non-residential forgone earnings as percentage of non-residential revenue
2015/16	15.4	108.6	12%	88%	8%	57%
2016/17	12.0	94.1	11%	89%	4%	61%
2017/18	12.2	80.6	13%	87%	3%	45%
2018/19	15.9	110.8	13%	87%	4%	66%
2019/20	17.3	94.6	15%	85%	4%	55%
2020/21	16.2	88.2	16%	84%	4%	70%
2021/22	35.5	96.8	27%	73%	6%	43%
2022/23	24.5	91.0	21%	79%	4%	48%
2023/24	37.3	146.5	20%	80%	6%	91%
2024/25	60.3	128.3	32%	68%	9%	63%

Source: Revenue Scotland (2025c)

Figure 28.



Source: Revenue Scotland (2025c)

Reliefs and exemptions (MDR, 6+ dwellings ADS exemption and FTBR)

Table 24. Forgone revenue by relief

Year	MDR forgone revenue (£m)	MDR forgone revenue as percent of total forgone revenue	6+ exemption forgone revenue (£m)	6+ exemption forgone revenue as percent of total forgone revenue	First-time buyer relief forgone revenue (£m)	First-time buyer relief forgone revenue as percent of total forgone revenue
2015/16	9.6	8%	-	-	-	-
2016/17	11.3	11%	3.4	3%	-	-
2017/18	14.2	15%	6.6	7%	-	-
2018/19	10.9	9%	3.8	3%	3.8	3%
2019/20	8.7	8%	4.6	4%	6.6	6%
2020/21	9.2	9%	3.5	3%	0.9	1%
2021/22	10.6	8%	4.2	3%	8.3	6%
2022/23	11.9	10%	4.1	4%	8.4	7%
2023/24	20.9	11%	6.2	3%	8.2	4%
2024/25	13.6	7%	7.8	4%	9.9	5%

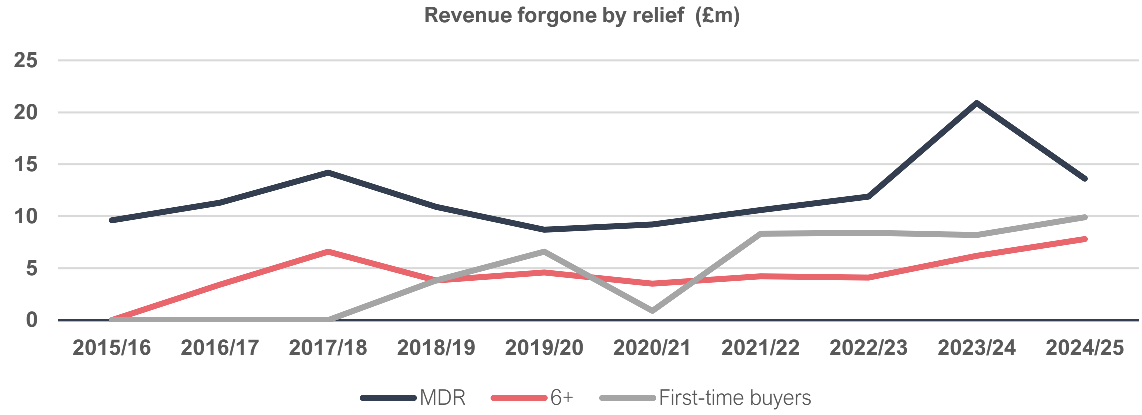
Source: Revenue Scotland (2025c)

Table 25. Forgone revenue as percentage of total LBTT revenue

Year	MDR forgone revenue as percent of total LBTT revenue	6+ exemption forgone revenue as percent of total LBTT revenue	First-time buyer relief forgone revenue as percent of total LBTT revenue
2015/16	2%	-	-
2016/17	2%	1%	-
2017/18	3%	1%	-
2018/19	2%	1%	1%
2019/20	1%	1%	1%
2020/21	2%	1%	0%
2021/22	1%	1%	1%
2022/23	1.4%	0.5%	1.0%
2023/24	2.7%	0.8%	1.1%
2024/25	1.5%	0.8%	1.1%

Source: Revenue Scotland (2025c)

Figure 29.



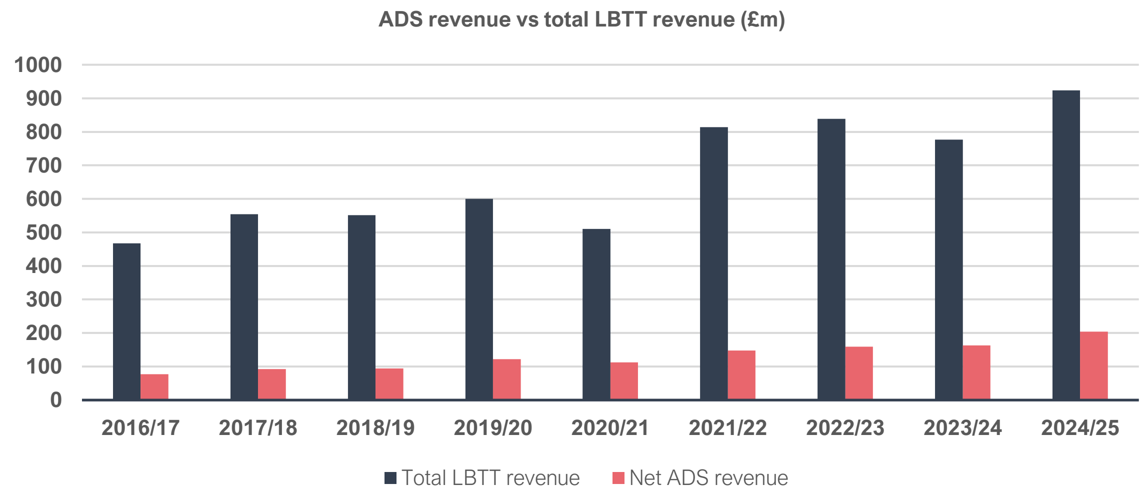
Source: Revenue Scotland (2025c)

Table 26. ADS revenues and claims

Year	Net ADS revenues (£m)	Number of residential claims including ADS after repayment	Percentage of LBTT revenue from ADS	Percentage of total residential LBTT claims including ADS
2016/17	77.3	17,190	17%	17%
2017/18	92.6	19,480	17%	19%
2018/19	94.5	19,260	17%	19%
2019/20	122	19,130	20%	18%
2020/21	112.4	16,970	22%	18%
2021/22	147.5	21,410	18%	19%
2022/23	159	20,960	19%	20%
2023/24	163.1	17,250	21%	18%
2024/25	204.3	18,620	22%	18%

Source: Revenue Scotland (2025c)

Figure 30.



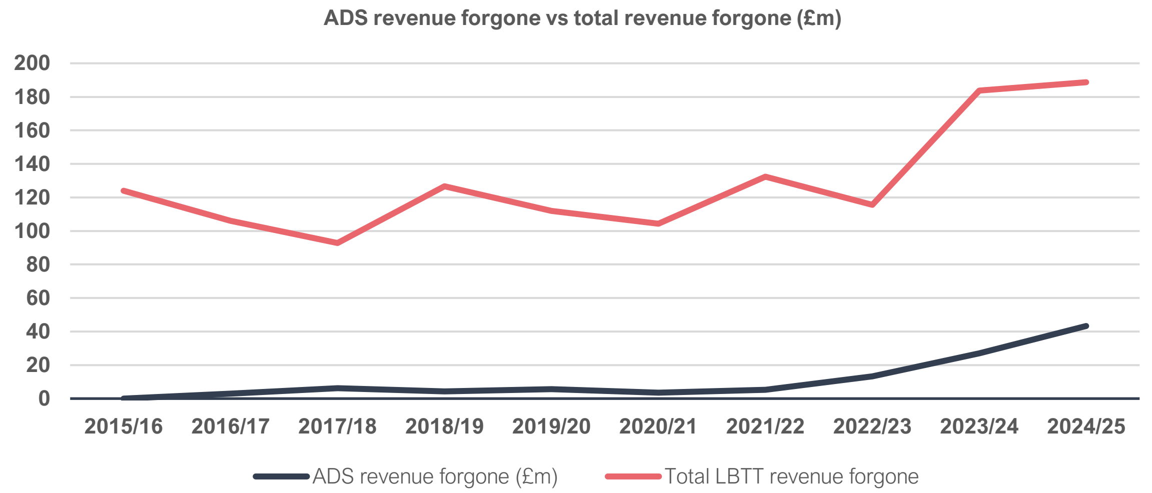
Source: Revenue Scotland (2025c)

Table 27. ADS forgone revenues

Year	ADS revenue forgone (£m)	Returns which include forgone ADS revenue	ADS forgone revenue as percentage of total forgone revenue	Percent of relief claims including ADS exemption
2015/16	-	-	-	-
2016/17	3	210	3%	11%
2017/18	6.2	250	7%	12%
2018/19	4.3	310	3%	3%
2019/20	5.7	410	5%	3%
2020/21	3.6	240	3%	8%
2021/22	5.3	310	4%	2%
2022/23	13.2	870	11%	5%
2023/24	27.1	1,780	15%	10%
2024/25	43.3	2,670	23%	12%

Source: Revenue Scotland (2025c)

Figure 31.



Source: Revenue Scotland (2025c)

Table 28. First-time buyer relief claims

Year	Number of first-time buyer relief claims	Percentage of total relief claims	Percentage of total LBTT returns
2019/20	13,230	85%	11%
2020/21	1,940	64%	2%
2021/22	16,220	92%	13%
2022/23	16,070	90%	14%
2023/24	15,650	86%	14%
2024/25	18,810	84%	15%

Source: Revenue Scotland (2025f)

Appendix 3: Survey methodology and summary of survey respondents

Survey methodology

We designed and distributed three short surveys to explore awareness and experiences of LBTT and related reliefs among individual investors, recent first-time buyers, and prospective first-time buyers. Each survey was tailored to its respective group and conducted through the online recruitment platform Prolific. The primarily quantitative questionnaires took fewer than eight minutes to complete.

Individual investors were defined as those owning between one and four rental properties. Their survey focused on portfolio characteristics and their understanding and use of the mixed property rule and MDR. Recent first-time buyers were those who had purchased their first home within the past five years. Their questions examined familiarity with LBTT and experience with the first-time buyer relief. Prospective first-time buyers were defined as individuals planning to buy their first home within the next five years. Their survey assessed knowledge of LBTT and awareness of available reliefs.

Summary of survey respondents

Below, we summarise the respondents' demographic and background information for each of the three surveys.

Individual investors

This survey received a total of 92 responses:

- **Number, type and price of rental properties owned.** Nearly 3/4 (74%) of this group reported owning one rental property, while 15% stated that they owned two. The remaining 11% of the sample owned between three and four rental properties. The vast majority of respondents (96%) reported owning a purely residential property, with only 4% of the sample owning a purely non-residential property or a mixed residential and non-residential property. Furthermore, out of the residential properties owned, 42% were purchased for under £145,000, more than 1/4 (26%) were purchased for between £145,001 and £175,000 and nearly 1/5 (19%) for between £175,001 and £250,000. The remainder of properties (13%) were purchased for more than £250,001.
- **Residency in Scotland.** The largest proportion of the sample (36%) reported living in Glasgow and Strathclyde. This was followed by Edinburgh and Lothians (23%), Tayside, Central and Fife (22%), as well as Aberdeen and North East (13%). A smaller proportion of the sample were currently resident in the Highland and Islands (4%) and Scotland South (2%).
- **Gender.** The majority of the sample were female (54%) compared to male (43%), with the remainder of the sample choosing not to answer this question.
- **Age.** The largest proportion of the sample was aged between 30 and 39 (35%), which was followed by 40 to 49 (26%), 50 to 59 (20%), 18 to 29 (9%), and 60 to 69 (7%). The small remainder of the respondents were aged between 70 and 79 or chose not to answer the question.
- **Ethnicity.** The large majority (84%) of respondents were White, with the next largest proportion of the sample reported being of Black, Black British, Caribbean, or African ethnicity (8%). The remainder of the sample was split between Asian or Asian British, Mixed or multiple ethnic groups, other ethnic groups, or choosing not to answer the question.

- **Employment status.** Most of the sample reported being in full-time work (67%), followed by being in part-time work (11%) and being self-employed (9%). The small remainder of the sample were split between being retired, looking after the home or family, long-term sick or disabled, unemployed, or choosing not to answer the question.
- **Household income**. The largest proportion of respondents reported having a household income of between £80,000 and £99,999 (23%), which was followed by £100,000 or more (22%), £40,000 to £59,999 (18%), £20,000 to £39,999 (17%), and £20,000 to £39,999. The small remainder of respondents reported earning under £20,000 or chose not to answer the question.

Recent first-time buyers

This survey received a total of 131 responses:

- **Purchase price of home.** Nearly three in ten respondents (29%) reported purchasing their home for between £175,001 and £250,000, while just under 1/4 (24%) purchased their home for between £250,001 and £325,000. A further fifth (21%) purchased their home for between £145,001 and £175,000, while 18% bought their properties for under £145,000. The remainder (8%) of the sample reported purchasing their home for between £325,001 and £750,000.
- **Residency in Scotland.** The largest proportion of the sample (44%) reported living in Glasgow and Strathclyde. This was followed by Edinburgh and Lothians (22%), Tayside, Central, and Fife (19%), and Aberdeen and North East (10%). A smaller proportion of the sample resided in Highland and Islands and South Scotland.
- **Age.** The largest proportion of the sample was aged between 30 and 39 (53%), followed by 18 to 29 (29%), and 40 to 49 (13%). A smaller proportion of respondents were aged between 50 and 59 and 60 and 69. No respondents reported being aged 70 or older.
- **Gender.** The majority of respondents were female (62%), compared to male (37%), with the remainder of the sample choosing not to state their gender.
- **Ethnicity.** The large majority of respondents were White (89%), with the next largest proportion identifying as Asian or Asian British (7%). The remainder of the sample identified as Black, Black British, Caribbean or African, Mixed or multiple ethnic groups, or chose not to answer the question (1%).
- **Household income.** The largest proportion of respondents reported having a household income of between £20,000 and £39,999 (27%) and £40,000 to £59,999 (26%). This was followed by £60,000 to £79,999 (20%) and £80,000 to £99,999 (14%). A small remainder reported incomes of £100,000 to £119,999, under £20,000, and higher brackets (£120,000 or more), representing 1% each. A small proportion also chose not to state their income.

Prospective first-time buyers

This survey received a total of 82 responses:

- **House price**. Three in ten respondents (30%) reported purchasing or intending to purchase a home for between £175,001 and £250,000, while just over 1/4 (26%) reported house prices at both under £145,000 and between £145,001 and £175,000, respectively. The remainder of the sample reported house prices between £250,001 and £325,000 (15%) or between £325,001 and £750,000.

- **Residency in Scotland.** The largest proportion of the sample (40%) reported living in Glasgow and Strathclyde. This was followed by Edinburgh and Lothians (29%), Tayside, Central, and Fife (15%), and Scotland South (7%). Smaller proportions reported living in Aberdeen, North East, Highland, and the Islands.
- **Age.** The largest proportion of the sample was aged 18 to 29 (48%), followed by those aged 30 to 39 (30%) and 40 to 49 (13%). Smaller proportions were aged 50 to 59 and 60 to 69. No respondents reported being aged 70 or older.
- **Gender.** The majority of respondents were female (68%), compared to male (32%) with no respondents choosing not to state their gender.
- **Ethnicity**. The large majority of the sample were White (85%), with the next largest group identifying as Black, Black British, Caribbean, or African (9%). The remainder identified as Asian or Asian British, other ethnic groups, or Mixed or multiple ethnic groups.
- **Employment status.** Most of the sample reported being in full-time paid work (66%), followed by part-time paid work (13%), and self-employment (9%). The remainder were split between being students, unemployed, and looking for work, looking after the home or family, or being long-term sick or disabled.
- **Household income.** The largest proportion of respondents reported a household income of between £20,000 and £39,999 (37%), followed by £40,000 to £59,999 (28%), £60,000 to £79,999 (13%), and £80,000 to £99,999 (7%). The remainder reported incomes under £20,000, in higher income brackets (£100,000 or more), or chose not to answer.

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