

Response to the Finance Committee Call for Evidence on the Land and Buildings Transaction Tax (Scotland) Bill

Consultation Response 2013

The Carnegie United Kingdom (UK) Trust welcomes this opportunity to respond to the Finance Committee's call for evidence on the Land and Buildings Transaction Tax (Scotland) Bill. The Trust works to improve the lives of people throughout the UK and Ireland, by influencing policy, and by changing lives through innovative practice and partnership work. The Carnegie UK Trust was established by Scots-American philanthropist Andrew Carnegie in 1913.

We have chosen only to respond to the parts of the consultation where we have experience and relevant evidence. Further information on our work is available on our website www.carnegieuktrust.org.uk.

Proposed exemptions and reliefs within the bill

2011 Trust research [The Effectiveness of Rural Housing Burdens](#) highlighted the important role that Rural Housing Burdens (RHBs) can play in generating and retaining private subsidy for affordable housing options in rural areas and sustaining fragile communities. See Appendix for further details.

The use of the RHB mechanism by Rural Housing Bodies¹ increases access to a range of affordable housing options, including home ownership in rural areas, and empowers communities to create solutions to local needs. In this way the use of RHBs supports the Scottish Government's affordable housing priorities as outlined in *Homes Fit for the 21st Century: The Scottish Government's Strategy*

and Action Plan for Housing in the Next Decade.

The Trust believes that it is important that the broad benefits to society that Rural Housing Bodies can deliver are recognised and wider uptake of RHBs by Rural Housing Bodies is supported and encouraged.

There is a good opportunity to support Rural Housing Bodies and the use of RHBs as a method to deliver low cost home ownership in rural areas via the Land and Buildings Transaction Tax.

We are concerned that the Bill in its current form does not adequately support the use of RHBs without a specific relief or exemption for Rural Housing Bodies. Without such an exemption there is a risk that some Rural Housing Bodies, particularly smaller, community led Rural Housing Bodies (which may not have gained charitable status), may find themselves liable for the tax, as they fall out with the list of current reliefs. This

¹ A Rural Housing Body is any properly constituted bodies that has a stated objective in meeting affordable housing needs in rural areas and has been designated as such by the Scottish Government.

could create a barrier to the development of affordable housing options in a rural community.

Our recommendation is therefore that: *Rural Housing Bodies are exempt/relieved from paying Land and Buildings Transaction Tax on land/properties with an RHB or on which an RHB will be created.*

APPENDIX

What are Rural Housing Burdens?

The Rural Housing Burden (RHB) was introduced in 2004 as one of a number of land reforms to the feudal system of land tenure in Scotland and was designed to act a mechanism to lock in an affordability discount to land for community benefit.

- RHBs may be created in settlements of 10,000 people or less.
- Anyone can seek to create an RHB, but it will only be legally effective when it is in favour of a rural housing body which has expressly consented to such a burden being created;
- Any properly constituted bodies that have a stated objective in meeting affordable housing needs in rural areas may be eligible for designation as a Prescribed Rural Housing Body;
- A RHB gives the rural housing body a pre-emption right when selling a property – which means it has the right to re-purchase the property whenever it is made available for sale and on the buy-back price terms and other conditions which may also be attached to the burden;
- The terms of the RHB are negotiated with the purchaser and may indicate the price and the terms at which the property can be bought back;
- The rural housing body has 42 days when the property becomes available for sale to decide whether it wishes to re-purchase the property or not;

- The rural housing body does not lose its pre-emption right, or any buy-back price conditions attached if it chooses not to exercise them on that occasion. They remain available to be exercised on all future sale occasions although the rural housing body also retains the sole discretion to waive them should it so decide.

The RHB is one of a number of tools available to support the delivery of affordable housing in rural areas and contribute to the overall flexibility of the housing system.

What are the benefits of Rural Housing Burdens?

- Most families who have purchased a discounted RHB plot are clear that this was the only way in which they could have afforded to build their own home in their preferred community.
- The research suggests that the guarantees which RHBs provide in terms of retaining land within the local community in perpetuity have been helpful in persuading landowners – both public and private – to release sites for affordable housing at heavily discounted rates.
- RHB guarantees have also helped to encourage planning authorities and communities to give their support and approval for the subsequent development of these sites
- A case study of Glenachulish in the Highlands shows how RHBs have been used to revitalise a small and ageing rural community by providing affordable homes for five young local families
- This case study also illustrates that RHBs can help bring wider benefits to local rural economies by generating small scale contracts which are won by local firms

The full research report and policy summary from our 2011 RHB study are available [here](#).

The Carnegie UK Trust works to improve the lives of people throughout the UK and Ireland, by changing minds through influencing policy, and by changing lives through innovative practice and partnership work. The Carnegie UK Trust was established by Scots-American philanthropist Andrew Carnegie in 1913 and we are delighted to be celebrating our centenary in 2013. Please see our website for further information on our centenary plans.

**Andrew Carnegie House
Pittencrieff Street
Dunfermline
KY12 8AW**

Tel: +44 (0)1383 721445

Fax: +44 (0)1383 749799

Email: info@carnegieuk.org

www.carnegieuktrust.org.uk

For more information please contact Jenny Brotchie, Policy Officer at jenny@carnegieuk.org or on 01383 721 445.

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