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*improving living in scotland*



**The Commission on Local Tax Reform  
Written Submission**

**June 2015**

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## **ABOUT HOMES FOR SCOTLAND**

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Homes for Scotland is ***the*** voice of the home building industry.

With a membership of some 200 organisations together providing 95% of new homes built for sale in Scotland each year as well as a significant proportion of affordable housing, we are committed to improving the quality of living in Scotland by providing this and future generations with warm, sustainable homes in places people *want* to live.

Visit [www.homesforscotland.com](http://www.homesforscotland.com) for further information and follow us on twitter @H\_F\_S

## **PROCESS**

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Homes for Scotland represents members on a wide range of issues affecting their ability to deliver much needed homes.

Our views are endorsed by committees and advisory groups utilising the skills expertise of key representatives drawn from member companies.

The Commission on Local Tax Reform was discussed with our Housing Policy Advisory Group.

We have two main points that we wish to make to the Commission. The first raises our concerns surrounding any consideration of a land value tax system and the second proposes the linking of local taxation to the energy performance of homes.

## **1. A Land Value Tax system would be detrimental to Scotland**

We are aware that there have been some calls for a land value tax as an alternative to the council tax system. We understand that this is in the belief that a land value tax will deter so called 'land-banking' and put an end to the cycle of boom and bust in the housing market. We also understand that by taxing land owners, it is felt that savings could be generated for households across the country. We do not however believe that this approach would deliver those outcomes and would not be supportive of a local tax based on land values.

The holding of land for future development is an issue that has been examined by numerous researchers all of whom have concluded that the amount of land held by home builders is appropriate for their business models where they plan new developments many years in advance. This long-term view is a consequence of the arduous and unpredictable planning process in Scotland. To charge land owners tax will add an additional cost to the development process thereby affecting viability and potentially increasing house prices, as an unintended consequence, as the cost to develop is driven up.

It is said that land value tax is designed to reduce speculation and moderate the kind of house price boom and busts that have been experienced. We are not convinced that this is the impact that a land value tax would have. We would also be concerned about what impact a reduction in the values of homes could have immediately following the introduction of such a tax. The impact and the exposure to negative equity would need detailed assessment. The best way to ease affordability within the housing market on a more natural, progressive basis is to increase the supply of homes in Scotland.

We consider the existing council tax structure as a tax that provides services for communities. Households contribute financially for the provision of services such as communal grass cutting, rubbish disposal/recycling, local education provision etc. The receipt of services in return for the payment of tax seems easier to accept as households can see where the funds are being spent. Plus it introduces a level of accountability on local service providers. Taxing landowners in this way does not seem to make any sense as they are not users of the services.

## **2. The opportunity to link Local Tax Charges to Energy Performance**

Within its Sustainable Housing Strategy the Scottish Government has stated that they wish to see a market premium on warm, high quality, low carbon homes with lower running costs because these attributes are valued by lenders, consumers and surveyors. In achieving this, the Government acknowledges the need for the market to fully reflect the benefits of 'greener' low energy housing.

We propose that the Scottish Government should use household taxation to influence the market for energy efficient homes by linking the amount payable to the Energy Performance Certificate (EPC) rating or band.

When a property is marketed for sale (or rent) both sellers and buyers (or potential tenants) have access to an EPC. This mandatory certificate allows comparisons of homes for sale across the market, encouraging buyers to take account of the energy efficiency of the home in their choices. Whilst the amount saved by the customer will not off-set the additional costs incurred by the builder in delivering a higher efficiency home with some time required for the

customer to build up savings in local taxation, it would introduce a much needed incentive to help create market demand for energy efficient homes.

We acknowledge that the process of assessing the energy performance of existing homes where no change of hands through sale or rent are due to take place will be more complex. However if the aim of the Commission is to consider options for fairer taxes then new methodologies for calculations are likely to be a consequence. For energy performance proven methodologies exist but consideration would have to be given to how this is rolled out to all households across Scotland.

We genuinely believe that an incentive such as a reduced tax bill will influence behaviour of households across the country and will contribute helpfully towards Scotland's climate change targets.

Support should be available to assist home owners to improve the energy efficiency of their home and consequently benefit from the improved comfort, lower fuel bills and also lower council tax charge.