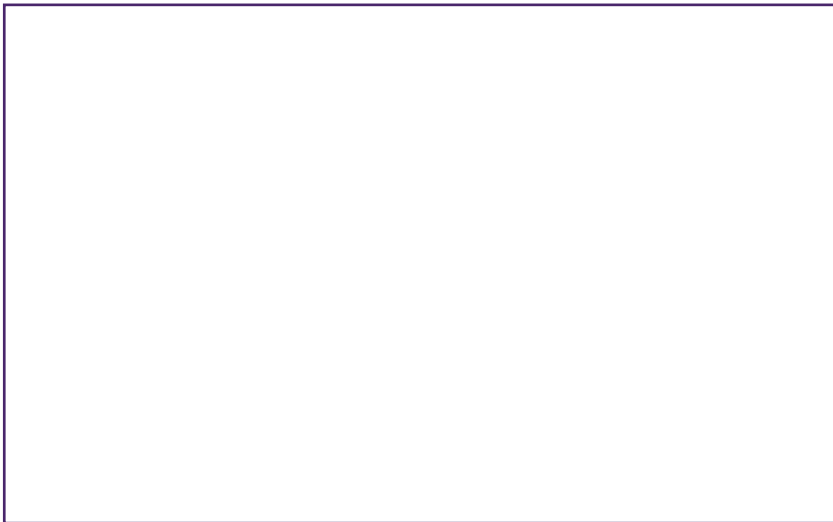
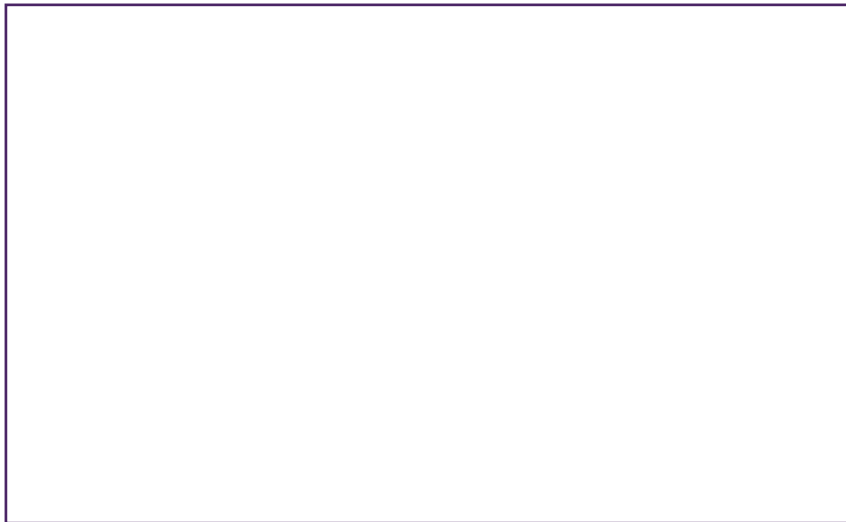


# Additional Dwelling Supplement

## Changes effective from April 1 2024

The table below explains the proposed changes (and some areas which will not change). This is the most significant change to the Additional Dwelling Supplement (ADS) rules since they were introduced.

Area of concern	Pre 1 April 2024	Post 1 April 2024
<p><b>1. Replacement of main residence – ADS repayment</b></p> <p>ADS and the 18 month period in which you have to either:</p> <ul style="list-style-type: none"><li>i) Buy a new main residence, or</li><li>ii) Sell your previous main residence</li></ul>	<ul style="list-style-type: none"><li>• The 18 month period applies to those who have sold their main residence and the law requires the new main residence to be bought within 18 months of the sale.</li><li>• For those who have retained their former main residence, the ADS will be payable, but is reclaimable if the former main residence is sold. But the sale needs to complete within 18 months or the ADS reclaim is out of time (there have been several LBTT cases regarding this point).</li></ul>	<ul style="list-style-type: none"><li>• The 18 month period is extended to 36 months.</li></ul>
<p><b>2. Small shares</b></p> <p>ADS operates on the basis that each joint (or fractional) owner of a property is deemed to own the full property.</p>	<ul style="list-style-type: none"><li>• ADS applies to dwellings where the value of the dwelling is £40,000 or more. However, the ADS rules deem each fractional owner to own the full dwelling. This means that a property worth £100,000 held equally between four people will result in each of them having at least one dwelling for ADS purposes, despite their share of the property being less than the £40,000 limit.</li></ul>	<ul style="list-style-type: none"><li>• For the ADS, where a person's share of a dwelling is valued at less than £40,000, this will be ignored (this will be known as 'small shares'). This brings Scotland in line with the SDLT rules for England and Northern Ireland.</li></ul>
<p><b>3. Divorce and separation</b></p> <p>Divorce and separation often requires one party to find new accommodation. That can lead to that party having to pay ADS on the purchase of a new dwelling.</p>	<ul style="list-style-type: none"><li>• When separating or divorcing, it is often the case that the partner leaving the property is required to maintain their interest in the dwelling (e.g. until such time that the children have left school). There may be a court order in place which restricts the sale of the dwelling in this time.</li><li>• There is no allowance in the LBTT and ADS legislation for this requirement to maintain ownership.</li></ul>	<ul style="list-style-type: none"><li>• Relief from ADS will be given where a former main residence is required to be retained by court order. The relief will also be given for other formal agreements (other than court orders).</li></ul>
<p><b>4. and 5. Joint Buyers Provision and Single Economic Unit rules</b></p> <p>The joint ownership rules are complex and were changed in 2017 to provide great relief. However, complexities still arise and it can result in unfair outcomes where, for example, only one party has disposed of their main residence.</p>	<ul style="list-style-type: none"><li>• ADS applies an 'economic unit' test to the purchase of a dwelling. This may take into account the ownership of dwellings by the buyer's:<ul style="list-style-type: none"><li>i. Spouse/civil partner</li><li>ii. Co-habitant</li><li>iii. Minor children (i.e. under age 16)</li></ul></li></ul>	<ul style="list-style-type: none"><li>• For the purposes of the two or more dwellings test, a single economic unit will extend to disposals made by the parties mentioned adjacent.</li><li>• The following conditions will be considered when determining eligibility for repayment where a property is owned jointly and ADS has been paid on such a purchase:</li></ul>



- a)** Within 36 months beginning or ending with day after the date effective the buyer or, where there are two or more buyers who are or will be jointly entitled to the interest acquired, one of the buyers disposes of the ownership of a dwelling (one buyer).
- b)** That dwelling was the buyer's or where there are two or more buyers who are or will be jointly entitled to the interest acquired, one of the buyers only or main residence at any time during the 36 months ending with the effective date of the transaction (one buyer).
- c)** The purchased dwelling has been occupied as the buyers only or main residence (all buyers).
- d)** Where there are two or more buyers who are or will be jointly entitled to the interest acquired, each of whom own a dwelling or dwellings other than the subject-matter of the transaction, all of the buyers must meet the conditions a), b) and c).

**6. Inherited Dwelling**  
Where a property is inherited, it can lead to problems with the ADS.

- There is no LBTT or ADS payable when inheriting a property. However, a legacy which includes a property (or a share of) can lead to the legatee having to pay the ADS on the purchase of a new dwelling.

- The disregard for small shares (see above), will apply to both inherited and non-inherited property.
- The rules have been clarified to identify that an inherited property is owned for the purposes of ADS on the date the disposition is delivered to the buyer.
- Relief will also be available to those who inherit a new property after concluding missives in a new dwelling (so that there is now no ADS payable on the completion of the new dwelling). This again is aligning Scotland with the rest of the UK.

**7. Local Authorities**  
Local authorities are liable to pay ADS on many purchases. This increases the cost of buying social housing.

- There is some relief for local authorities from paying LBTT (and ADS) on compulsory purchases, however there is no further provision for relief from ADS. There is relief, for any purchaser, from ADS for the purchase of 6+ dwellings.

- Local authorities will not have to pay ADS provided it is funded with the assistance of a grant or other financial aid under s2 of the Housing (Scotland) Act 1988.



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