Universities Scotland

Response to the Building Safety Levy (Scotland) Bill, stage 1 general principles consultation.

Submitted to the Scottish Parliament's Finance and Public Administration Committee, 15 August 2025

The Bill introduces a new tax, called the Scottish Building Safety Levy, to be charged on the construction or conversion of residential property developments, with some exceptions.

Money raised through this levy will be used to fund building safety expenditure.

As drafted, the Bill looks to include student accommodation and halls of residence for students within the definition of "new residential units" meaning they would be required to pay the levy. Universities Scotland's submission argues those forms of accommodation should be exempt from the levy on the basis that university-owned student accommodation is not a profit-making enterprise and increasing the cost base facing student accommodation risks undermining the wider objective of improving affordability in student housing in Scotland.

Universities have had to address the cost of multiple construction safety issues across their estates, from cladding to RAAC, and have had to do so without additional financial support from Scottish Government.

This response answers only the questions as relevant to universities. It was drafted with contributions from the Heads of Student Accommodation, Scottish Association of University Directors of Estates (SAUDE), the Association of University Directors of Estates (AUDE) which faces a similar levy in England, and Scottish University Finance Directors Group (SUFDG).

1. Do you agree, in principle, that a levy should be introduced on the construction of residential property in Scotland?

We do not agree that residential accommodation for students, halls of residence for students in further or higher education should be within scope of a "new residential unit" as defined in section 4 of the Bill. We expand on this in subsequent questions, particularly in our response to question 6.

Our comments in response to the set of questions variously cover both university-owned accommodation and PBSA owned by private developers because student housing has always been a mixed model of university-owned, privately owned PBSA and private landlords. Different sources put the proportion of university-owned student accommodation at between 24-37% of supply across the UK.[1] There has been a trend towards greater reliance

[1] The lower figure of 24% comes from Unipol & NUS (2021) *Accommodation Costs Survey.* The figure of 37% comes from Cushman & Wakefield (2024) Student Accommodation Report (pg 20)

on private providers within this mixed model, as university provision has halved (-49.6 per cent) over the ten years to 2020/21 and privately-owned bed spaces have grown by 153.9 per cent.[2]

Where our comments or position relates specifically to university-owned accommodation only, we will make this clear.

2. **To what extent does the proposed Scottish Building Safety Levy (SBSL) align with the Scottish Government's 2024 Tax Strategy and with the principles of good tax policy making included in the Framework for Tax 2021 (namely: proportionality, certainty, convenience, engagement, effectiveness and efficiency)?**

We limit our comments to the alignment (or misalignment) between the Scottish Government's principles of good tax policy making and the proposal that the levy should apply to university-owned student accommodation and purpose built student accommodation (PBSA) in the private sector. We make the case that the proposed levy would fail on the principles of proportionality, convenience and certainty if the Bill progresses with student accommodation in scope.

The principle of proportionality.

The following comments apply primarily to university-owned student accommodation because the business model of university-owned accommodation is not profit-making. It is distinctly different from PBSA and private landlords who are in the market for commercial reasons. As such, we do not believe the levy's applicability to university-owned accommodation meets the principle of proportionality, defined as being a progressive tax, applied on the ability to pay.

Neither universities themselves, nor the students living in university-owned accommodation can afford to pay this tax.

Universities cannot afford this tax because university-owned accommodation for students is not financially viable and has only been sustainable until this point because it has been cross-subsidised from other sources of income, largely international student fees. This source of income is now far more precarious than before due to geopolitics and global instability and cannot be relied on in the same way. Half of Scotland's universities reported deficits in financial year 2023/24.

It has to be assumed that, regrettably, the cost of the levy on new build accommodation would be passed onto renters, effectively becoming a tax on them. This would result in

[2] Unipol, NUS (2021)

students' facing a rent increase which runs counter to wider policy aspirations to address affordability in student housing.

Student accommodation as owned by universities is typically offered at a significantly lower price point than private PBSA, yet comes with all the additional wellbeing support services and 24-hour wrap-around care expected of student accommodation by students and parents. Data produced by the Unipol/NUS accommodation costs survey in 2020/21 (the last survey available) showed the average price for university-owned student accommodation across the UK was £6,227 which is inclusive of utilities and internet provision. This compared to an average of £7,732 from a private provider. Price points tracked over a ten year period to 2020/21 showed annual rental costs charged by university-owned accommodation were lower than private providers in every year. Further, it showed a growing gap in average rental costs between university-owned and private over that period.[3] We believe this price differential, and the non-profit making basis on which university-owned accommodation is run are grounds for an exemption from the "new residential units" definition.

The principles of convenience and certainty. The levy fails universities on both of these tests. The principle of convenience relates to the collection of taxes in a time and manner that maximises convenience. The Grenfell tragedy occurred in 2017 which means 8 years have passed in which to address safety concerns from cladding. Where universities had a responsibility for cladding remediation in their residential, teaching or other spaces on campus, they have taken action to assess this and undertake remedial works at their own expense. It is worth noting that the same is true for construction work to address safety issues regarding RAAC.

Principle of engagement. We note there was a general opportunity to contribute to the pre-legislative consultation exercise as run by the Scottish Government in late 2024. However, neither Universities Scotland nor individual institutions were approached to join the Scottish Government-led Expert Advisory Group, as convened prior to this, in May 2024, nor invited to participate in the series of stakeholder engagement events. This is in marked contrast to the direct approach made to private PBSA developers and investment organisations, despite the fact that the Bill, as introduced, does now propose to include new student accommodation (including that owned by universities) within scope of the levy.

3. What would be the impacts of the SBSL for the housing market, if any?

The biggest risk, with knock-on consequences for availability and affordability of student housing, is that if student accommodation stays within scope of "new residential units" and is therefore eligible for the levy, the SBSL risks halting new construction projects for student accommodation, from both developers and universities themselves.

[3] Unipol, NUS (2021) p7

The Housing (Scotland) Bill has already generated considerable uncertainty in the market for private PBSA developers, since student accommodation was unexpectedly brought within scope of rent control measures at stage 2. Developers have made strong representations to Scottish Government that projects are likely to remain paused until the Bill is passed and until there is clarity on the nature of any/all subsequent regulation-making powers, arising from the Bill. The SBSL is likely to create the same shock to the market and deter new investments. This would compound an existing problem across the UK, where growth in new beds for students has slowed to an average 1% a year post pandemic, down from around 5% per annum in 2016/17.[4] Academic year 2023/24 represented the lowest year in a decade for delivery of new PBSA beds.[5]

Private providers account for the majority of PBSA in Scotland (see figures in answer to Q1), so the cessation of new projects due to uncertainty arising from the applicability of the SBSL risks exacerbating a supply-side problem that has reached acute levels in recent years and which risks driving-up costs to student tenants on the principle of supply-and-demand. Projections from Cushman and Wakefield (for the UK), which do not specifically account for the impact of this legislation, suggest that the student to bed ratio (SBR) could already be set to grow from 2.12:1 in 2021/22 to 2.24:1 five years from now.[6]

Another risk of having student accommodation in scope of "new residential units" (as mentioned in response to question 2) is that the cost of the levy is unavoidably passed on to the student tenant due to the financial pressures which already exist in the model of university-owned student accommodation. This undermines parallel aims to improve the affordability of student housing as explored in the Housing (Scotland) Bill and in collaborative work between the Scottish Government, the higher education sector and other stakeholders through the PBSA review and subsequent action plan. The rent charged to students is typically lower in university-owned accommodation (often by a very significant margin) as compared to private providers and rent increases as implemented by universities are also typically several percentage points lower than applied by private PBSA or direct lets.[7]

4. Do you foresee any behavioural changes or impacts arising as a result of the implementation of the SBSL?

Our answer to question 3, above, applies here. There is a serious risk that the SBSL results in the cessation of new build projects for student accommodation, exacerbating problems of availability and affordability. If the levy is made to apply to student accommodation, it is likely that the cost will be passed onto student occupiers (this is likely to be unavoidable for

[4] Cushman & Wakefield (2024) Student Accommodation Report p20.
[5] Ibid.
[6] Ibid. P26
[7] Cushman & Wakefield (2024) p 33

university-owned accommodation, which is already a loss-making exercise for institutions) and this would undermine separate agendas to improve the affordability of student housing.

5. **Are there any provisions in the draft legislation that may give rise to unintended effects, including to opportunities for tax avoidance?**

   We have no comment to make.

6. **The Bill sets out: (i) the buildings that are specifically included and excluded from SBSL (section 4(2) & (3)) and (ii) the buildings that are exempt from SBSL (section 5). Do you have any views on these inclusions, exclusions and exemptions?**

   Yes. Universities Scotland would like to see residential accommodation for students, halls of residence for students in further or higher education exempt from the BSLS and removed from the definition of "new residential unit" as defined in section 4 of the Bill (section 4 (2)(a) and 4 (2)(b)).

   The Bill already sets out a list of buildings which are not to be taken as intended to be used as a dwelling or accommodation at section 3 (a)-(d) and which do not therefore meet the definition of a "new residential unit" and will not be required to pay the levy. This list at (a)-(d) closely mirrors a list of "relevant residential purposes" (RRP) within VAT legislation, both of which contain hospitals and hospices, military barracks, accommodation for the armed forces, residential accommodation for children etc. The only difference between the two lists is student accommodation, which is included amongst types of accommodation (zero rated for VAT) on the RRP list in VAT legislation but which does not appear listed in section 3 (a)-(d) of the BSLB. We make the case that the full RRP list, including accommodation for students, should be mirrored in section 3 (a)- (d) in the BSLS.

   Answers to questions 2 and 3 offer further evidence in support of an exemption for student accommodation, which is predicated on the non-profit making nature of university-owned student accommodation and the risk that the application of this levy to student accommodation (whether university owned or private PBSA) will run counter to the Scottish Government's parallel aims of improving the affordability of student housing.

7. **Are the arrangements for penalties and appeals as set out in the Bill appropriate?**

   No comment.

Universities Scotland

8. **Do you consider that the estimated costs set out in the Financial Memorandum for the Bill are reasonable and accurate? If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill?**

The Financial Memorandum estimates the cost of the creation and implementation of the levy to the Scottish Government and associated bodies. We have no comment to make on this.

We are not able to accurately predict the cost of the levy as applied to new build student accommodation as owned by universities. However, we return to comments made in regard to the non-profit-making model of university-owned student accommodation and wider financial pressures facing the higher education sector in Scotland, as made in response to questions 2,3, 4 and 9. We have no confidence that universities would be able to meet the financial costs they would incur as a result of being within scope of the levy. With no scope to absorb these costs, it is inevitable that the cost would be passed onto tenants in the rental price.

9. **Do you have any other comments regarding the Bill which have not been captured by the previous questions?**

Yes. We would like to take the opportunity to highlight that the application of the levy to student accommodation threatens to undermine the Scottish Government's parallel agenda to improve affordability in student housing, as progressed through the PBSA review and subsequent work to deliver on the recommendations.

Regrettably, given the very narrow parameters of financial viability for university-owned student accommodation, the increased cost of the levy, where applied, would almost certainly be passed onto student tenants, undermining efforts to support affordable housing (which, in the case of university-owned accommodation is typically made available for around £1,500 less per year than market rates based on the Unipol/NUS survey cited earlier). We ask the Scottish Government to connect its parallel agendas and exempt university-owned student accommodation from "new residential units" within the SBSL.

We have made this point in answer to question 3 but believe it is important to take the opportunity here, to highlight the need to ensure that different government agendas do not undermine one another.

ENDS