

ABERDEEN CITY COUNCIL

CALL FOR EVIDENCE: LAND AND BUILDING TRANSACTION TAX

The Finance Committee has asked for views on the first full year's operation of LBTT. In particular, the Committee has asked for views on the following:

- The impact on both the residential and commercial property market of the various rates and bands.

No response. However, it is worth noting that it would be difficult to establish the extent to which any change in the market in the Aberdeen City Council area was due to the LBTT as opposed to being due to the general economic conditions and in particular the downturn in the oil and gas industry.

To any extent that the Committee is able to determine that the LBTT rates and bands have impacted on the property market, then this needs to be taken into account in determining any changes to the rates going forward.

- The extent to which the rates and bands are consistent with the principles of "fairness, equity and the ability to pay";

Yes the rates and bands are consistent with those principles. Residential transactions in particular are weighted to achieve these principles; Non-residential transactions and leases are to a lesser degree.

- The level of receipts for residential and non-residential transactions in relation to the forecasts;

Receipts for residential were significantly less than budgeted and forecast but this seems to have been largely due to forestalling and therefore it may be expected that receipts in future financial years will be more in line with the budget. Receipts for non-residential transactions exceeded budget, which suggests that the LBTT had not been a barrier to such transactions. However, receipts in future years may be affected by the economic downturn.

- The impact of forestalling and whether it is likely to have a short-term impact only or lead to longer-term changes in the market;

The fact that the cumulative difference in residential receipts was greatest at the beginning of the year suggests that forestalling is in fact a short term issue that should disappear over time. Instinctively you would imagine that the main factor was that wherever possible completions would have been timed in order to take advantage of the regime which offered the more favourable rate. Longer term will the bandings impact on the sales prices agreed?

- Whether there should be any changes to the rates and bands in the draft budget for 2017-18;

No specific recommendation other than any impact on the markets as a result of the rates and bands should be considered in determining the optimal level of the rates

and bands. The justification for setting the current rates and bands was set out in the Deputy First Minister's letter of 22 January 2015 and this paper should be revisited in the light of changes in the market.

- The performance of Revenue Scotland in administering and collecting the tax.

No Response

Some additional feedback on LBTT not specifically in response to an individual question:

Affordable housing and particularly targeting 'key workers' is a key strand of the Inclusive Economic Growth programme in the Regional Economic Strategy (RES). In order to provide the fiscal levers to enable us to achieve this strategy it would be useful to have some discretion locally over elements of the Land and Building Transaction Tax so that officers could consider how the proceeds could be used to support the development of affordable housing.

LBTT raised £200m on residential transactions and £214m from non-residential transactions in Scotland in 2015/16. This equates to £17m per annum generated from Aberdeen City Council area based upon a population share.