FINANCE COMMITTEE
DRAFT BUDGET 2015-16
SUBMISSION FROM ANGUS COUNCIL

Introduction
Angus Council does not expect the new tax to have a significant impact on its work or its finances but we set out below some brief remarks on the questions posed by the Committee which we hope are helpful to the Committee’s consideration of this matter.

Questions
1. The threshold for the purchase price of the nil band rate for both residential and non-residential property

The greatest impact for the Council would be on non domestic properties when we purchase or lease property. At the moment we would pay 1% for a transaction up to £250,000 and 3% for values over that. The illustrative example from the Scottish Government is 0% up to £150,000 then 3% between £150,000 and £250,000 and 4.4% thereafter which would represent quite an increase for properties above £150,000. The Council’s purchase or lease of non-domestic land and buildings at these values is relatively infrequent but if the illustrative example were adopted it would add an additional tax burden for any transactions above £150,000.

From a wider economic development standpoint we would prefer to see the zero rated threshold on non-residential properties increased to £250,000 to reduce the financial barrier to development/ownership for smaller scale owners/developers. Given land and property prices in general a tax regime starting at £250,000 would be good for smaller businesses.

A higher zero rate threshold for residential properties may be a difference maker for people struggling to get on the property ladder and thus could lead to an improvement in overall housing supply pressures. On balance we would favour a higher threshold on residential properties (e.g. £250,000) subject to the affordability implications of this (see comments at question 4)

2. The rate for the other tax bands

The 7.5% rate in scenario 1 would represent a significant increase compared to the current SDLT for properties in the range of £180,000 to £1m and may affect many purchasers in the mid-range purchasing relatively standard family homes.

3. Whether there should be more or fewer bands and, if so, the rate for any additional tax bands

A stepped system is to be welcomed but this needs to avoid “cliff edge” effects where a significant increase in tax liability results from being just into the next band. More bands adds complexity but might allow a more progressive application of increases. On balance we favour a higher zero threshold and only a small number of bands thereafter.
4. Whether the rates and bands should be set so that the impact of replacing Stamp Duty Land Tax with LBTT is broadly financially neutral

A broadly neutral impact at least initially would maintain stability for purchasers and the overall resources available to the Scottish Parliament to fund public services. We recognise there is a difficult balancing act but at a time of significant financial constraint we would not welcome an arrangement which leads to an overall reduction in the funding available for public services.

5. The Scottish Government’s proposal to include a lower top rate for non-residential property than for residential property

See comments under question 1 above

6. The likely impact on the property market and wider economy

This depends on the eventual regime implemented. Any tax change will always result in winners and losers compared to the current set up but the Council would favour moves which support buyers of properties at the lower end of the scale (both residential and non-residential) in terms of potentially boosting housing supply and supporting smaller businesses if this can be done without detriment to the total tax take and therefore resource available to support public services.

Richard Stiff
Chief Executive
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