1. We welcome this opportunity to comment further on the Scotland Bill currently progressing through the UK Parliament. We are happy for our comments to be made public by the Committee.

2. The Scottish Property Federation is a representative body for the Scottish commercial property industry and speaks for over 115 corporate members. Included within our membership are commercial property developers, landlords and managers, fund managers, professional property industry advisers, property consultants and long term investors in both commercial and residential property. We are an integral part of the UK-wide British Property Federation, which represents most of the UK and Scotland’s largest property investors and developers.

3. The major interests that our members have in the Bill relate to its transfer of stamp duty land tax to the Scottish Parliament and the enhancement of borrowing powers for the Scottish Government. Our comments will therefore be short as these issues form but a part of the Committee’s wider call for evidence.

4. The key questions asked by the Committee in its call for evidence are twofold. First, to seek views in general on the recommendations made by the previous Scotland Bill Committee in Session 3 of the Scottish Parliament and second, to seek views on the amendments made by the UK Government on 13 June to the Scotland Bill relating to borrowing powers. In our submission we refer to the first of these questions in specific relation to the transfer of SDLT which we believe was notable by its omission from your predecessor Committee’s detailed views. We comment also briefly on the changes to borrowing powers made by the UK Government.

Stamp Duty Land Tax

5. As one of the minor taxes devolved by the UK Scotland Bill to the Scottish Parliament SDLT has not been a prominent concern for the Committee. This is understandable as the main part of the Scotland Bill relates to the transfer of a component of income tax power to the Scottish Parliament, which brings significant implications for Scottish taxpayers and Parliament. Yet we believe that SDLT may come to be a burden unless an appropriate review of its potential revenue base in Scotland is considered in the light of a much reduced market and diminishing revenue returns.

6. Needless to say it will be important for the property industry and Scottish Government that the amount of revenue to be expected from SDLT in Scotland is not over ambitious. There is little sign of the property markets picking up. Our own monitoring of Registers of Scotland data for commercial property sales in Scotland is now at its lowest annual rate since 2006 and we struggle to believe this will improve in the medium term at least. It is vital therefore that the Scottish Government does not ‘sign up’ for SDLT revenues that are too challenging. In this light we welcome the removal of the previous requirement upon Scottish Ministers to absorb the first £125mn of tax variance.
7. To reinforce the decline in revenue expected to continue from at least SDLT receipts in the foreseeable future, we reproduce below for the committee’s consideration a Table of HMRC published SDLT data together with recent transactions reports from Registers of Scotland.

Table of Property Transactions and SDLT Yields in Scotland – 2007-11

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential (Value)</th>
<th>SDLT Revenue</th>
<th>Non domestic (Value)</th>
<th>SDLT Revenue</th>
<th>Total SDLT Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>£24.5bn</td>
<td>£340mn</td>
<td>£9.4bn</td>
<td>£225mn</td>
<td>£565mn</td>
</tr>
<tr>
<td>2008-09</td>
<td>£14.1bn</td>
<td>£185mn</td>
<td>£4.4bn</td>
<td>£135mn</td>
<td>£320mn</td>
</tr>
<tr>
<td>2009-10</td>
<td>£11.8bn</td>
<td>£135mn</td>
<td>£3.5bn</td>
<td>£115mn</td>
<td>£250mn</td>
</tr>
<tr>
<td>2010-11</td>
<td>Est. £11.3bn</td>
<td>Est. £2.3bn</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NB 2010-11 values SPF estimates based upon Registers of Scotland figures. The figures for 2007-10 are as published on the HMRC website.

8. Aside from the questions of meeting revenue requirements as the Block Grant is cut, we believe the Committee should not lose sight of the importance of ensuring stamp duty land tax is as competitive and transparent as possible for potential investors, particularly inward investors. This means ensuring not just competitive rates, thresholds and other structures, but also that any Scottish form of the tax seeks from the outset to introduce a simplified and predictable system for its users.

Borrowing Powers

9. The call for evidence makes specific request for comments on the UK Government’s amendments to borrowing powers. We believe these amendments, which bring forward the ability of the Scottish Parliament to make use of these additional borrowing powers, are a helpful step forward. However, we believe there does need to be an assessment of the total borrowing to be made available to Scottish Ministers which is to be set against an annual revenue pool of some £15bn. It would therefore seem to us that there is a case for greater flexibility than that currently envisaged by the Scotland Bill.

10. It is vitally important that these borrowing powers are used to support capital investment in the current context whereby capital expenditure is to be severely reduced in future years. There is likely to be little opportunity for private sector support in this context as funding is set to be constrained for the foreseeable future. The additional powers will enable the Scottish Parliament to make a direct and positive contribution towards enabling infrastructure investment in Scotland and this is crucial if we are to see economic recovery.
Summary

11. The Scotland Bill and responsible officials in the Scottish and UK Governments should be careful to avoid expecting SDLT to be a significant contributor to Scottish revenue and care should be taken not to overestimate its potential revenue stream.

12. We believe that there is a case for the proposed borrowing powers to be improved further, in order to enhance the ability of the Scottish Parliament to make a decisive contribution to economic development.

David Melhuish
Director
Scottish Property Federation
9 September 2011