12th September 2016

By email

Mr Bruce Crawford MSP
Convener
Finance Committee
M4.17
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener,

I write with two purposes. The first is to congratulate you on your appointment as the new Convener of the Finance and Constitution Committee. My colleagues and I on the Scottish Fiscal Commission (SFC) look forward to meeting you when we join the Committee for a session on October 5th. I also hope that you will feel free to call on me in relation to our work at any time if needed.

The second reason for writing is to let you know that the SFC will today release its outturn report for the fiscal year 2015-16. I attach a copy of the report which will also now be published on the SFC website.

This report updates and extends the comparison between Scottish Government forecasts and the year-to-date outturns first published in the Scottish Fiscal Commission Report of December 2015, in light of the full-year outturn data released for Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). Our remit also requires us to assess the SG’s forecasts of ‘buoyancy’ – the increase in the roll of rateable values underpinning Non-Domestic Rates Income (NDRI). In the report we contrast the outturn of buoyancy relative to its forecast in the Draft Budget of 2015-16.
The key findings from the report are:

- Residential LBTT revenues in 2015-16 were in the lower part of the range forecast by the Scottish Government, even after accounting for the expected impact of forestalling behaviour. The introduction of LBTT resulted in forestalling behaviour as purchases of properties costing more than £333k were brought forward to the previous tax year due to the rise in the average tax rate applied to these transactions under LBTT relative to SDLT. The Scottish Fiscal Commission’s analysis suggests that the volume of transactions remains subdued for properties costing between £325k and £750k, subsequent data will determine whether or not this continues into future years.

- Non-Residential LBTT revenues were £70 million greater than forecast. Our analysis suggests that this was largely due to the commercial property market being more buoyant in both price and transactions than was anticipated given the data available at the time of the original forecast.

- Scottish Landfill Tax revenues were £30 million greater than forecast. Around £20 million of this difference was due to the discrepancy between tax revenues and landfill volume data evident in the UK as a whole not applying in Scotland. Subsequent data releases showed landfill waste to be greater than the data available at the time of the forecast; this accounted for a £5 million difference between outturn and forecast revenues. The remaining difference was due to an overprediction of the rate of decline in landfill volumes.

We would be happy to discuss the report in further detail when we next meet.

I am copying this letter to the Cabinet Secretary for Finance and the Constitution.

Best wishes,

Susan Rice CBE