

# **LAND AND BUILDINGS TRANSACTION TAX (AMENDMENT) (SCOTLAND) BILL**

[AS AMENDED AT STAGE 2]

---

## **SUPPLEMENTARY FINANCIAL MEMORANDUM**

### **INTRODUCTION**

1. As required under Rule 9.7.8B of the Parliament’s Standing Orders, this Supplementary Financial Memorandum is published to accompany the Land and Buildings Transaction Tax (Amendment) (Scotland) Bill (introduced into the Scottish Parliament on 27 January 2016) as amended at Stage 2.

2. The Memorandum has been prepared by the Scottish Government. It does not form part of the Bill and has not been endorsed by the Parliament. It should be read in conjunction with the original Financial Memorandum published to accompany the Bill as introduced.

3. This Supplementary Financial Memorandum addresses the financial impact of Stage 2 amendments on the Bill where they would substantially alter any of the costs. Paragraphs 8A and 8B of the Bill were added to new schedule 2A (inserted by section 1 of the Bill) at Stage 2 by amendment. Paragraph 8A introduces a 100% relief from the land and buildings transaction tax (LBTT) supplement for purchases of six or more dwellings in one transaction. Section 59(8) of the Land and Buildings Transaction Tax (Scotland) Act 2013 (“the 2013 Act”) currently treats such a transaction as non-residential. Whilst such transactions will attract a 100% relief from the LBTT supplement, any ordinary LBTT liability currently due under the 2013 Act will require to be paid.

4. Paragraph 8B provides that a relief under paragraph 8A must be claimed in the first land return relating to the transaction or within the one-year period allowed to taxpayers and their agents for an amended return by the Revenue Scotland and Tax Powers Act 2014.

### **GENERAL**

5. The financial implications of the Stage 2 amendments have been considered under the following headings:

- The financial implications for the Scottish Administration (paragraphs 6 to 10)
- The costs on local authorities (paragraph 11)
- The costs on other bodies, individuals and businesses (paragraph 12).

## **Financial implications for the Scottish Administration**

6. The benefits to the Scottish budget which will arise as a result of the tax revenue raised from the introduction of the supplement are as set out in the Financial Memorandum<sup>1</sup> which accompanied the draft Bill on introduction to the Scottish Parliament on 27 January 2016 and published on the Parliament's website on 28 January 2016.

7. Table 1 below is an extract from the aforementioned Financial Memorandum which provides information on the estimated net revenue impact of the LBTT supplement for the years 2016-17 to 2020-2021. These figures will be reduced by the cost of the relief from the LBTT supplement for purchases of six or more dwellings in one transaction.

**Table 1 – Estimated net revenue impact of LBTT supplement 2016-21**

	Scenario 1 – 8,500 additional property transactions	Scenario 2 – 12,500 additional property transactions	Central estimate
	£ million	£ million	£ million
2016-17	17	29	23
2017-18	33	53	43
2018-19	36	57	47
2019-20	38	63	51
2020-21	41	66	54

8. In estimating the cost of this relief the Scottish Government has given due cognisance to the limited data available from Revenue Scotland – given the LBTT has been in place for under 12 months. Revenue Scotland data shows that between 1 April 2015 and 31 December 2015 there have been 17 claims for multiple dwelling relief that involve the purchase of six or more residential properties in one transaction. A total of 293 properties were bought in the nine-month period as part of these transactions so if this figure is extrapolated over a 12-month period, then it is estimated that 391 properties would be bought in a full 12 month period.

9. In estimating the cost of this relief, reference has been made to Registers of Scotland's most recent quarterly house price statistics published on 2 February 2016<sup>2</sup> which cover the period October to December 2015. The average property price in the period was £167,734. A supplement of three per cent on this figure would result in £5032 additional LBTT being payable. The estimated total cost of this relief over a 12-month period is calculated by multiplying £5032 by 391 properties which gives a total of £2m (rounded up).

10. The administrative and compliance costs that Revenue Scotland are likely to incur as the Tax Authority responsible for collecting LBTT are as set out in the Financial Memorandum introduced to the Parliament on 27 January 2016. The provision made therein will be sufficient to deal with the administrative and compliance work that may require to be undertaken in

<sup>1</sup> <http://www.scottish.parliament.uk/parliamentarybusiness/Bills/96000.aspx>

<sup>2</sup> <https://www.ros.gov.uk/property-data/property-statistics/quarterly-house-price-statistics>

relation to the relief from the supplement for purchases of six or more dwellings in one transaction.

**Costs on local authorities**

11. Cost implications for local authorities will depend on the extent to which they purchase residential property and the price at which the purchases are made. Local authorities will be eligible for the relief from the LBTT supplement where they purchase six or more dwellings in one transaction.

**Costs on other bodies, individuals and businesses**

12. The comments made at paragraph 11 in relation to estimating the costs on local authorities and the eligibility for a relief for purchases of six or more dwellings in one transaction are equally applicable here.

*This document relates to the Land and Buildings Transaction Tax (Amendment) (Scotland) Bill  
as amended at Stage 2 (SP Bill 85A)*

**LAND AND BUILDINGS TRANSACTION TAX  
(AMENDMENT) (SCOTLAND) BILL  
[AS AMENDED AT STAGE 2]**

**SUPPLEMENTARY FINANCIAL MEMORANDUM**

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website -  
[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

Produced and published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish Parliament website at:  
[www.scottish.parliament.uk/documents](http://www.scottish.parliament.uk/documents)