

Finance and Public Administration Committee

31st Meeting 2025 (Session 6)

Tuesday 18 November 2025

Building Safety Levy (Scotland) Bill

Purpose

1. The Committee is invited to take evidence as part of its scrutiny of the Building Safety Levy (Scotland) Bill at Stage 1 from—

- Elaine Lorimer – Chief Executive, Revenue Scotland
- Michael Paterson – Head of Tax, Revenue Scotland
- John McVey – New Devolved Taxes Programme Manager, Revenue Scotland
- James Lindsay – Tax Design Lead, Revenue Scotland

And then from—

Ivan McKee MSP, Minister for Public Finance supported by the following officials—

- Hannah Taylor – Building Safety Levy Team Leader
- Martin Davidson – Head of New and Environmental Taxes Unit
- Hugh Angus – Lawyer, Scottish Government Legal Department
- Christine McGregor – Head of Operations, Directorate for Cladding Remediation

2. The Committee ran a [call for views](#) on the Bill which closed on 15 August 2025 and received [39 responses](#). A [summary of responses](#) has been published.
3. SPICe produced a [research briefing](#) for the Bill which includes potential areas of parliamentary scrutiny.
4. This paper provides background information on the Bill, the main issues highlighted in Revenue Scotland's written submission and a summary of the key points raised during the Committee's previous evidence sessions on the Bill.
5. Annexe A contains the written submission provided by Revenue Scotland to assist the Committee's scrutiny of the Bill.

Background

6. The [Bill](#) was introduced by Shona Robison MSP, Cabinet Secretary for Finance and Local Government on 5 June 2025. The Bill creates the Scottish Building Safety Levy (SBSL), a tax on residential construction in Scotland which is to be charged in relation to a step in the building control process, and its revenues are

intended to be used to fund improvements to building safety in Scotland. The SBSL will be administered by Revenue Scotland.

7. The [policy memorandum](#) explains that the overarching policy aim of the Bill is to seek a contribution from the housebuilding sector to support the Scottish Government's Cladding Remediation Programme.
8. Building construction and safety are devolved policy areas. A [joint consultation](#) by the UK and Scottish governments which sought views on the devolution of powers to the Scottish Parliament for a SBSL stated that "there is no option to extend the UK Building Safety Levy to Scotland".
9. The SBSL's policy objective mirrors "the UK government's objective for its own Building Safety Levy (BSL), which is proposed for introduction in England in Autumn 2026". The policy memorandum goes on to say that "the differences in building control regimes mean that the English and Scottish levies will not be analogous".

Outline of Bill provisions

10. Part 1 of the Bill defines the levy and gives responsibility to Revenue Scotland to collect and administer the tax. The levy will be charged on certain 'building control events', which Section 3 of the Bill defines as an event related to building completion.
11. Part 2 contains key concepts underlying the tax including—
 - setting out that a tax is imposed on 'new residential units',
 - providing that the person liable to pay the levy is the 'owner of the new residential unit' when the application for the building control certificate or permission is made.
12. Part 3 sets out how the levy is calculated and how the proceeds of the levy are to be used, including that—
 - the rate is an amount prescribed by the Scottish Ministers and is based on the square metres of the new residential unit,
 - different rates may be set for (i) different geographical areas, for (ii) different types of land on which the new residential unit is situated or (iii) with reference to any other factor that the Scottish Ministers consider appropriate,
 - the Scottish Ministers may make provisions for a 'levy-free allowance',
 - the Scottish Ministers must use the proceeds of the levy "for the purposes of improving the safety of persons in or around buildings in Scotland".
13. Part 4 contains various provisions on administration covering returns, registration and special cases.
14. Part 5 imposes penalties in relation to the levy.

15. Part 6 makes provisions on what decisions of Revenue Scotland can be reviewed and appealed.
16. Part 7 contains general provisions which include reporting, interpretation, regulation-making powers and commencement.

Policy approach

17. The SBSL is intended to be one of the revenue streams for Scotland's Cladding Remediation Programme. According to the policy memorandum, the SBSL will “complement the existing funding streams available and ensure that the associated costs of cladding remediation do not fall onto affected homeowners or disproportionately onto the general taxpayer”.
18. The tax charge for the SBSL is generally “the date of acceptance of a completion certificate”. The person liable to pay the tax is the owner of the ‘new residential unit’ when the completion certificate is submitted to the verifier. The policy intention is for the SBSL to be paid by those responsible for residential development.
19. The policy memorandum explains that the tax point was placed “closer to the point of sale” to “assist in mitigating cash flow issues for developers”. It further states that “in many cases the developer will be in receipt of funds from the sale of the property by the time the liability to the SBSL is due for payment”.
20. Section 4 of the Bill defines what buildings are within scope of the SBSL. Broadly, this includes constructed or converted buildings which are intended to be used as a dwelling or other accommodation. The Bill outlines that—
 - the definition includes purpose-built student halls of residence and build-to-rent developments,
 - the definition is intended to exclude the following (this list is not exhaustive):
 - (i) hotels or other temporary accommodation,
 - (ii) institutions providing residential accommodation with personal care
 - (iii) hospitals or hospices,
 - (iv) prisons,
 - (v) residential accommodation for school pupils.
21. Any ‘new residential unit’ is in scope of the SBSL provided that it is not an “exempt new residential unit”. Exempt new residential units include: (i) social housing, (ii) affordable housing and (iii) any building on a Scottish Island.
22. The SBSL is a self-assessed tax and is calculated “as a proportion of the total floorspace of the new residential unit multiplied by the levy rate”. As noted above, Scottish Ministers are able to set a levy-free allowance. Given that the policy intention is for the SBSL to be paid by property developers, it is expected that the level of the levy-free allowance will be sufficient to exclude self-builds from scope.

23. The proceeds from the levy are to be used for “building safety expenditure”. Although the definition is wide, the policy memorandum says that the current intention is that the levy will be used “to support the funding of the Cladding Remediation Programme”.
24. Some of the differences between the SBSL and the English equivalent are as follows:
- a) The SBSL is administered by Revenue Scotland whilst the BSL is administered by local authorities. The Scottish Government notes that “a local authority-approach administration for a national tax would not reflect stakeholders’ desires for a centralised and nationally consistent approach”.
 - b) The tax point for the SBSL is the issuance of acceptance of a completion certificate. For the BSL the tax point is at an earlier stage in the building process (the application for a building warrant). The Scottish Government chose the tax point to be set later in the construction process to provide more certainty for taxpayers and to alleviate potential cashflow problems.
 - c) The SBSL uses a levy-free allowance to protect small developers. In England, the UK Government proposed an “exemption for sites that are under 10 units”. The Scottish Government decided against an exemption based on the number of units for specific reasons. These include the risk of avoidance that could arise by pursuing a site-based exemption given that it is “common for developers to parcel up the site into separate developments”. Another reason given for not pursuing the unit-based exemption is that smaller sites may also be “made up of high-end properties”. In this case the use of small sites “may not reflect the developer’s ability to pay the SBSL”.
 - d) In Scotland penalties relating to the SBSL will be administered by Revenue Scotland and include fixed, daily and percentage-based penalties. In England, a certificate of completion will not be issued if the BSL has not been paid, “effectively making the building unusable”. The Scottish Government decided against the approach adopted in England because “it places an administrative burden on local authorities”. Such an approach would also require a “flow of data” between Revenue Scotland and the relevant local authority which, it states, “is likely to increase resource costs and complexity”.

Public engagement

UK Government engagement

25. The policy memorandum notes that the Scottish Government’s consultation “should be seen in context with the larger, UK-wide level of engagement on funding cladding remediation”. The UK Government issued consultations in [July 2021](#), [November 2022](#) and [January 2024](#).

26. The policy memorandum also says that “the English and Scottish Levies will not be analogous, [but] the policy aim for both remains the same”. For this reason, “the Scottish Government has therefore taken into account the feedback provided on UK consultations”.

Scottish Government engagement

27. The Scottish Government also convened “an expert advisory group, comprised of representatives from the residential property industry, and local government and tax stakeholders”. The policy memorandum states that “the purpose of the [group] is to help shape the design of the SBSL and consultation, as well as to consider more detailed aspects of policy development”. The group has met on five occasions since its inception.
28. The Scottish Government also issued a [public consultation](#) in September 2024 “to inform the development of the Bill”. The consultation received 78 responses.
29. The policy memorandum states that “the consultation asked a wide range of questions”, including on “the scope of the tax, exemptions, calculation methods, tax administration, compliance and impact on businesses, children, equalities and island communities”.

Outcomes of the Scottish Government engagement

30. The policy memorandum notes that in views gathered during the consultation “there was a general opposition to the introduction of a SBSL to fund cladding remediation efforts”. However, “no immediate alternative solutions are being offered by respondents to address the funding challenge associated with cladding remediation”.
31. The majority of respondents which consisted mainly of “developers and [...] the residential property industry” noted that the SBSL would be an additional burden on developers.
32. The consultation found “strong support to exempt affordable housing from the SBSL”. A majority of respondents were also in favour of “the proposed approach for Revenue Scotland to administer the SBSL”.
33. The majority of respondents however “opposed using market value as the calculation method for the SBSL, with emphasis on the need for stability and certainty for developers in understanding their tax liability”.
34. When discussing the impact of the SBSL, respondents noted “the cumulative impact on housebuilding from a wider package of proposed policies and new regulatory burdens”.

Financial memorandum

35. The SBSL will seek to raise £30m per annum and, as noted above, is intended to be one of the revenue streams for the Scottish Cladding Remediation Programme. The level of SBSL revenue is set at £30m because this is the amount in “Barnett consequentials that the Scottish Government might have received had the UK Government England-only levy been extended to Scotland”.
36. The financial memorandum (FM) estimates that the introduction of the SBSL will, until 2027-28, give rise to costs of around £3.7m broken down as follows (approx.):
- a) Scottish Government – £160,000 is expected to be spent on the staff introducing secondary legislation as well as on other administrative tasks including producing a report. The costs of developing primary legislation were not included in the FM as they were met from existing resources.
 - b) Revenue Scotland - the total costs for Revenue Scotland amount to £3.5m. This includes £1.6m in non-staff costs (mainly IT). The staff costs include set-up costs of £1.3m and operational staff costs of £0.5m. The operational staff costs are for the provision of a dedicated SBSL team.
 - c) Costs for other public service organisations – some costs are expected for other organisations such as the Scottish Fiscal Commission (£50,000) and the Scottish Courts and Tribunal Service (£35,000). Local authorities are not expected to have any material costs.
 - d) Costs on businesses – the costs for businesses in the FM comprise the value of the SBSL plus any associated administrative costs. The FM states that “stakeholders feel unable to estimate anticipated costs accurately” without sight of Bill provisions. Some stakeholders estimated set up costs of up to £100,000 while others suggested that the costs would be “limited or minimal”.
 - e) The Bill is not expected to give rise to costs on individuals.

Revenue Scotland written submission

37. The written submission from Revenue Scotland (RS) makes the following key points—
- RS worked with the Scottish Government on the development of a consultation paper on the proposals. It was also part of relevant working groups which included industry representatives.
 - RS “played a key role” in assisting with the development of provisions in the Bill covering the arrangements for the payment, collection and management of the tax.
 - The Building Safety Levy project is implemented through the New Devolved Taxes Programme which was established in 2023 to deliver the Scottish

Aggregates Tax. The RS response states that the programme board membership is continuously reviewed to “ensure [that] appropriate experience and knowledge is available to address each phase of the programme”.

- RS highlighted that a key design element of the registration system for the levy is the introduction of a levy free allowance. Developers below the levy free allowance will not be required to register to “be protected from the costs associated with the levy”.
- RS is working with the Scottish Government to develop a low activity provision “to mitigate the administrative burden for taxpayers”. This provision would remove the requirement to make a tax return during periods of low activity.
- RS explained that it aims to keep the “administrative overhead” for taxpayers and for RS “as low as possible”. The response further notes that “the cost of administering this tax will not initially be within our target of 1% of revenues generated”.

Key issues explored during the evidence sessions

38. The following key issues were discussed with witnesses during the evidence sessions on the Bill held on 7 October and 11 November—

The need for a whole system approach to building safety

- The levy should be seen as only one element of the solution. A system that also includes stronger oversight of the implementation of building standards is needed to prevent future building safety issues arising.

Scope of the levy

- Building safety issues tend to appear “about every 10 to 15 years”. Some witnesses therefore suggested it is likely that the scope of the levy will be widened beyond cladding remediation to cover future building safety issues.
- Witnesses from the building industry argued that, if introduced, the levy should be used only for the purposes of cladding remediation and that a sunset clause should be included in the Bill to allow the levy to be removed when cladding remediation is complete.
- It was also noted that the consultative process preceding the Bill focused on cladding remediation, and it was felt that the Scottish Government “should go back to the drawing board” if it decides to expand the scope of the levy to cover other building safety issues.

Impact on housebuilding and site viability

- Housing industry stakeholders emphasised that the levy would have the effect of reducing the number of new homes built in Scotland. The decrease in housebuilding outputs would also result in fewer affordable homes being built.
- The effect of the levy on the housing market was seen to be contrary to the intention behind the Scottish Government’s self-declared “housing emergency”.

- The increase of costs on housebuilding arising from the levy would result in certain sites becoming unviable. This was likely to be a particular issue in rural areas and could also further restrict site development to the central belt where it will be easier to absorb the levy.
- The levy would affect the profit margins of house developers which in turn would impact their expansion plans. It was estimated that each additional house built results in four extra jobs and a decrease in housebuilding activity would therefore result in fewer jobs being created.
- The levy was seen by the housing industry as another element of government regulation. The industry emphasised that the cumulative impact of recent policies is affecting the sector's ability to deliver new homes. The cost of additional regulation was estimated to range from £20,000 to £30,000 per house. Miller Homes noted that they "are growing everywhere else but are not growing in Scotland".

The financial memorandum

- Some witnesses expressed concern that the data set used by the Scottish Government is not as robust as it should be. The Committee heard that the financial data presented in the Financial Memorandum uses "estimates of estimates" in relation to the cost of cladding remediation.
- There were also concerns that the Scottish Government aims to obtain proportional revenues in Scotland (£30 million per year) when compared to the similar levy due to be introduced by the UK Government. It was suggested this approach does not recognise that the housing sector is different in Scotland where affordable housing completions represent 44 per cent of the market compared to 19 per cent in England. The proposed exemption of affordable housing under the Scottish Government Bill was seen by some witnesses to be disproportionately reducing the tax base compared to England.
- It was also noted that house prices are higher in England than in Scotland which would mean that the £30 million a year target will place a proportionally higher burden (as a percentage of the sale price) on new homes in Scotland compared to England.
- The Financial Memorandum states that it is not expected that the Bill "will result in any significant costs for local government". In its written response, the Dumfries and Galloway Council said that the "indirect costs" such as "increased workload, training, and system changes" for local authorities have been underestimated.

Data used by the Scottish Government to inform the policy behind the Bill

- It was suggested that the Scottish Government appears to have overestimated the housebuilding market in its business and regulatory impact assessment. The Scottish Government estimated that the total market value is "in the region of £4.6 [billion]". Some witnesses argued that figures from the Registers of Scotland suggest an overestimation of approximately £1.4 billion.

- Several witnesses were concerned by the lack of financial modelling intended to assess the impact of the levy on the housing market in Scotland and on the delivery of new homes.
- It was noted that in England the Public Accounts Committee had asked the UK Government to provide an assessment of the impact of the English Building Safety Levy on housebuilding projects¹. Such an assessment is not currently planned in Scotland, but witnesses suggested it could be helpful.

Polluter pays principle

- It was suggested that the problems that arose with defective cladding were the result of a system failure with many parties responsible, such as manufacturers, contractors, architects and the local authorities who signed off building warrants.
- The housebuilding sector feel they are being targeted unfairly given that the other parties involved in the building process are not subject to the levy. The sector highlighted that they are already contributing to remediation efforts by fixing the buildings that they built and by paying Residential Property Developer Tax.
- Miller Homes suggested that it would be beneficial if the rules in Scotland were changed to enable the recovery of costs from other parties involved in the building process.
- It was also seen as unfair that the levy could apply to housebuilders that have never used unsafe cladding. Bancon Homes for example said that they feel penalised despite not using unsafe cladding.

Transitional arrangements

- The financial viability of sites is assessed at the beginning of the housing project. The housing industry noted that the application of the levy on existing sites could affect their viability and are advocating for the levy, if introduced, to be applied only to new sites.

Brownfield sites

- Building on brownfield sites has additional costs related to the remediation and decontamination of the land. Several witnesses suggested that, if introduced, the levy rate should take into account the additional costs related to brownfield land development.

¹ The Public Accounts Committee in its March 2025 report '[The Remediation of Dangerous Cladding](#)' recommended that the Ministry of Housing, Communities and Local Government should "by the end of 2025, publish a formal assessment of the impact of its remediation policies (including the Building Safety Levy) on housebuilding projections [...] to ensure the building of 1.5 million homes is not affected by these policies. The [UK Government accepted the recommendation](#) (see 7.2).

The Build-to-rent sector

- The levy rules do not differentiate between houses built for sale and those built for rent. It was noted that the particulars of the Build-to-rent sector should be better considered. This includes the fact that built to rent houses are more likely to have larger common areas which could result in additional tax if the levy is calculated based on total square metres.

Small to Medium-sized Enterprises (SME) exemption

- Most witnesses agreed with the Scottish Government's stated approach of exempting SME housebuilders. Homes for Scotland explained that the exemption "sweet spot" is at around 30 homes built per year as businesses have some ability to grow before they interact with the revenue system.

The need for certainty

- The housebuilding sector emphasised that they need certainty in order to make investment decisions. In England the details of a similar levy were provided 18 months prior to implementation. It was suggested that the implementation date of the levy should be postponed given that the Scottish Government has not yet provided full details of the levy rules.

Delegated Powers and Law Reform Committee report

39. The [DPLR Committee reported on the Bill at Stage 1](#) on 12 November 2025. The DPLR report notes the following key points—

Section 6(3): The power to modify any enactments, including the Act resulting from this Bill being passed.

- The power in section 6(3) enables the Scottish Ministers to "modify other enactments, including the Act that will result in the Bill being passed". The report highlights that "the Scottish Government has not provided an appropriate justification for taking the power in section 6(3)".
- The report goes on to say that "it is not clear why regulations [...] would be required to modify any other part of the Bill or any other enactment as currently provided for in section 6(3)". On this basis, the DPLR Committee recommends that "that the power to modify enactments in section 6(3) is removed at Stage 2".

Section 10(3)(b): Definition of financial year

- Section 10(3)(b) contains the power to "set a different 12 month period as the financial year for the Levy"
- Following correspondence with the DPLR Committee, the Scottish Government confirmed that any regulations would be "informed by full public consultation". It further agreed to "consider amending the Bill to include a

requirement to consult with representatives of the housebuilding sector, Revenue Scotland, and any other persons as the Scottish Ministers consider appropriate”.

- The DPLR Committee “welcomes the commitment from the Scottish Government to consider amending the Bill” and “calls upon the Scottish Government to bring forward those amendments at Stage 2”.

Section 11(1): Reliefs

- Section 11(1) of the Bill provides a power to Scottish Ministers to make provision for and in connection with reliefs from the Levy in relation to certain building control events.
- The report states that the DPLR Committee “accepts that the Scottish Government will require flexibility” in this area and that “that the Scottish Government is prepared to consider any further limiting criteria which the Parliament might suggest as appropriate”.
- The report further states that “that this may be a relevant issue which the lead committee may wish to consider from a policy perspective”.

Section 12(1): Levy-free allowance

- Section 12(1) of the Bill provides a power to Scottish Ministers to make provision for and in connection with a “levy-free allowance”.
- The Scottish Government stated that it “it is working with Revenue Scotland and local government to identify options for data-sharing” to “identify building control events which do not count towards a levy-free allowance”.
- The Scottish Government is also considering “amending the Bill to include a requirement to consult with representatives of the housebuilding sector and other appropriate persons before making regulations under this section”.
- The DPLR Committee “accepts the explanation provided by the Scottish Government about the steps it is taking to identify and share data” and “welcomes the commitment from the Scottish Government to consider amending the Bill to include a requirement to consult” before making regulations under this section.

Section 34: Delegation of functions by Revenue Scotland

- Section 34 modifies an existing delegated power contained in section 4 of the Revenue Scotland and Tax Powers Act 2014. Like the position for other devolved taxes, the amendment to section 4 allows Revenue Scotland to delegate its functions relating to the Levy to a person specified in regulations.
- The Scottish Government has indicated that “some functions may be appropriately delegated to local authorities” and that “there may be other public or private bodies who can perform delegated functions in the future”. It was also noted that the delegation may not be necessary “if there is a robust data-sharing agreement between Revenue Scotland and local authorities”.
- The DPLR Committee accepted “the further explanation of the reason for the power to delegate functions of Revenue Scotland”.

Next steps

40. This is the final evidence session the Building Safety Levy (Scotland) Bill at Stage 1. The Committee is expected to report its findings in December.

Committee Clerking Team
November 2025

**SCOTTISH PARLIAMENT FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
BUILDING SAFETY LEVY (SCOTLAND) BILL
WRITTEN EVIDENCE - RESPONSE FROM REVENUE SCOTLAND**

1. Revenue Scotland

1.1 Revenue Scotland (RS) welcomes the opportunity to contribute to the Finance and Public Administration Committee's call for evidence on the Building Safety Levy (Scotland) Bill (the 'Bill').

1.2 RS is the tax authority responsible for the collection and management of the devolved taxes, currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). These taxes came into effect on 1 April 2015, replacing their UK equivalents (Stamp Duty Land Tax and UK Landfill Tax respectively). From 1 April 2026 we shall also be responsible for the collection and management of Scottish Aggregates Tax (SAT). If this current Bill is enacted, Scottish Building Safety Levy (SBSL) will constitute Scotland's fourth devolved tax. Revenue Scotland recognises the vital importance of the Scottish Government's Cladding Remediation Programme and the role that SBSL will play in contributing funds to that programme.

1.3 RS was established by the Revenue Scotland and Tax Powers Act 2014 (RSTPA) as a Non-Ministerial Office on 1 January 2015. RS is governed by a Board, is part of the Scottish Administration and is accountable to Parliament to ensure that the collection and management of the devolved taxes is independent, fair, and impartial. As part of that accountability, we lay our Corporate Plan before the Parliament on a 3 yearly cycle.

1.4 RS is not responsible for tax policy issues such as the setting of tax rates and bands or the forecasting of tax revenues, which are the responsibility of the Scottish Government and Scottish Fiscal Commission, respectively. Nonetheless Revenue Scotland has and continues to give advice, support, and assistance to the Scottish Government in relation to the practical impact on the administration of the tax regime contemplated by this Bill. However, those policy considerations and advice to Ministers ultimately remain the role of the Scottish Government. In that context, this response to the Committee's call for evidence focuses primarily on the proposed administrative arrangements for the collection and management of Scottish Building Safety Levy (SBSL).

2. Background - Revenue Scotland's approach to tax administration

2.1 The Committee will be aware of the four 'Adam Smith principles' of taxation (certainty, efficiency, convenience, and taxes that are proportionate to the ability to pay) which form the basis of our approach to the collection and management of the devolved taxes. In addition to those principles, our commitment to a digital approach to the collection of tax and a strong commitment to working collaboratively with stakeholders, have shaped the design and delivery of the operation of the taxes we manage. This proven approach has been instrumental in our successful launch and operation to date.

2.2 These comments on collaboration and effective design and delivery are also aligned with the Scottish Government's Framework for Tax "Principles of good tax policy making" which in addition to the Adam Smith principles also includes Engagement and Effectiveness

as key values.

2.3 Our work on implementing SBSL has reinforced the benefits to be achieved from the close working by all those with an interest, including the Parliament, Scottish Government, ourselves, and stakeholders. We have sought to apply that learning (drawn from our experience on previous devolved taxes) to our involvement in SBSL.

3. Work to date

Revenue Scotland's involvement in the Bill process

3.1 It is important for taxpayers and public revenues that the legislative scheme is clear, certain and provides a framework for effective and efficient compliance and administration. We have therefore liaised closely with Scottish Government's Bill team to understand the proposals for SBSL.

3.2 This has included work on the development of the consultation paper launched on 23 September 2024. Working alongside the Bill team we have been closely involved in stakeholder engagement and discussions with industry representatives through being key members of the relevant working groups and engaging in focussed discussions on specific topics.

3.3 Our primary interest is the arrangements for payment, collection, and management of the tax. The framework is set out at Parts 4-6 of the Bill. We played a key role in assisting with the development of the provisions in the Bill. We understand that elements of the administrative machinery will be set out in secondary legislation and we are working closely with the Scottish Government to ensure that the legislation supports the development of a clear, efficient, and convenient system for administering the tax.

3.4 A number of other elements of the overall legislative framework will also come forward in secondary legislation, for example transitional rules and rules governing the registration and tax return process. Again, we are working closely with the Bill team to develop these components of the overall tax regime.

4. Establishment of the programme

4.1 The Revenue Scotland New Devolved Taxes Programme was originally established in July 2023 to oversee the delivery of SAT. The same team that was formed to develop SAT has evolved to also deliver SBSL.

4.2 Our programme management approach is based on the Scottish Government's Principles for Programme and Project Management best practice principles and experience distilled from our successful delivery of SLfT and LBTT (2015), the Additional Dwelling Supplement (ADS) for LBTT (2016) and work done in preparation for the commencement of Air Departure Tax (2017) and SAT (2023-present).

4.3 The programme board is accountable to the Revenue Scotland Head of Tax as Senior Responsible Officer (SRO) and includes staff from various of our in-house teams and heads of the relevant Scottish Government policy teams. The programme board membership that was in place to handle SAT has been changed to additionally accommodate SBSL. Representatives

from COSLA and the Welsh Revenue Authority were supplemented by representatives from Local Authority Building Standards Scotland (LABSS), and the Local Authority Improvement Service (IS). Review of the Board make-up will continue as we proceed. This will ensure appropriate experience and knowledge is available to address each phase of the programme. The SRO provides assurance to the Chief Executive and Accountable Officer and the Revenue Scotland Board for the delivery of the programme.

4.4 The SBSL project consists of four workstreams:

- (a) **Tax Design** – responsible for defining operational requirements, data requirements, organisational design, and delivery of the required products, including guidance, to the stated specifications working with Scottish Government’s Bill Team and Legal Directorate during the development of primary and secondary legislation, as well as our tax team and external stakeholders.
- (b) **Information and Communications Technology (ICT)** – responsible for the requirements gathering, specification, build and design of the infrastructure to collect and manage SBSL. This will include provision of the online registration process, tax collection system - building on our Scottish Electronic Tax System (an electronic tax administration system called “SETS”) and the necessary enhancements to other ICT systems such as telephony, website, and finance systems.
- (c) **Corporate Readiness** – This includes the impact of the delivery of a new tax across all of our activities, ensuring that all current processes, functions, and reporting requirements are enhanced to facilitate the introduction and continued management of SBSL.
- (d) **Communications and Stakeholder Engagement** – Responsible for facilitating stakeholder engagement, internal and external programme communications, and stakeholder readiness activities to ensure all stakeholders are prepared for the introduction of SBSL and have access to supporting materials ahead of and beyond go-live.

4.5 Programme planning is based on a phased approach to delivery, set out as follows:

- Phase 1: Development of the Business Case (June 2025 – December 2025)
- Phase 2: Design and Development of the Programme (January 2025 – June 2025)
- Phase 3: Implementation (June 2025 – January 2027)
- Phase 4: Go Live Events (January 2027, April 2027 and July 2027 covering registration, tax commencement and first tax return filing)
- Programme Closedown (July 2027 – August 2027).

5. Programme Assurance

5.1 The programme is subject to external assurance in the form of Gateway Reviews and Digital Assurance activities which will be repeated at appropriate decision-making stages during the lifecycle of the programme. The timing of these reviews will be decided by the SRO after consultation with the Programme Board.

6. Stakeholder engagement

6.1 We recognise the importance of stakeholder input as part of an effective and efficient compliance and administration framework. As part of the preparation for the new tax, we have undertaken engagement with relevant bodies such as the previously mentioned LABSS, IS and COSLA. We have also sought input from HMRC in relation to their experiences in specific compliance contexts and relevant expertise from the Law Society of Scotland. We have been and continue to be heavily involved in the engagement with industry stakeholders as part of the Scottish Government's Bill development programme.

6.2 Now that the Bill has been introduced to Parliament, we have developed a stakeholder engagement approach. Engagement activity will continue with industry stakeholder groups (such as the building industry, property investor representatives, local authority teams involved in building standards and property registration) to gain input on key functions such as registration, the tax return and compliance. Reducing complexity and unnecessary administrative burdens are desirable aspects for taxpayers. Engagement will continue beyond the introduction of the tax, as we do on our existing taxes.

Key operational matters

6.3 SBSL does not have a UK-wide equivalent. The closest parallel is the (currently) England-only Building Safety Levy which, from 1 October 2026, also seeks to impose a levy on developers at key points in the building control process. The Building Safety levy in England will be collected by each Local Authority and remitted to the Ministry for Housing Communities and Local Government. The Scottish Building Safety Levy, SBSL, operates within the framework set out by the powers that devolved the tax to Scotland, namely The Scotland Act 1998 (Specification of Devolved Tax) (Building Safety) Order 2024.

6.4 To be within the confines of the devolved powers the tax has to be charged "...in respect of an application made in connection with the building control process." The operation and hence the design constraints of the tax are required to fall within this key definition to be within legislative competence.

Registration

6.5 Registration is an important element as it will be the first interaction that we have with taxpayers, it identifies and provides information on the taxpayer base. We have identified approximately 150 -200 taxpayers who are likely to be required to register for SBSL.

6.6 Our SBSL registration process will be built upon established systems already in place for SLfT and SAT whilst tailoring the system for SBSL taxpayers. The Scottish Government wishes to remove smaller developers, and self builds from the scope of the SBSL. A key design element of the registration system will be to introduce a levy free allowance which will ensure that developers who are building low annual numbers of new residential units will not be required to register for SBSL and will be protected from the costs associated with the Levy. Once registered, a taxpayer's levy free allowance will reset every year and only those properties that are over and above the levy free allowance will be chargeable to the Levy.

Tax Return

6.7 Once a person is registered, they will be required to submit returns to Revenue Scotland which set out the tax due from completed residential properties. The SBSL Bill sets out that the calculation of the Levy will be based upon the floorspace of a property with a rate to be applied. The Bill also introduces a series of exemptions (such as for social or affordable housing) that will remove certain residential properties from charge. Further to this the Bill also provides Ministers with the powers to set out tax reliefs although the Scottish Government has not indicated that any relief will be introduced at the onset of the Levy. The characteristics of the SBSL tax calculation are similar to that of other devolved taxes and Revenue Scotland will therefore be able to build on the design of established tax returns. The SBSL tax return will aim to ensure adequate data is collected to facilitate the administration of the Levy and support compliance whilst not being overly burdensome for the taxpayer to complete.

6.8 The Scottish Government Revenue Scotland recognises that there may be taxpayers who are required to register but may then have periods of low activity where they do not breach their annual levy free allowance. In order to mitigate the administrative burden for taxpayers in this position, Revenue Scotland is working with the Scottish Government in developing a low activity provision which will remove the requirement to make any tax return until such time as there is a property that is chargeable to the Levy.

6.9 Revenue Scotland are cognisant of the need for a robust compliance approach and are working with the Scottish Government in undertaking extensive stakeholder engagement with the aim of fully understanding the variety of ownership structures that are being utilised by residential developers so that we can ensure the fair application of the SBSL and for other important provisions such as the levy free allowance.

6.10 Further to this, in line with the Scottish Government's wish to keep the administration of the tax as simple and cost effective as possible Revenue Scotland is working with the Bill team to take advantage of the available records in relation to property transactions and the building standards process in order to create a data driven approach which will aid in our registration and tax return processes and help streamline our compliance approach. This will help in maintaining efficient costs of administration.

7. Costs

7.1 Revenue Scotland's key objectives in delivering this tax for Scotland include for it to be delivered digitally and in as lean a way as possible. These considerations are driving our approach to tax design to ensure that the administrative overhead for both taxpayers and Revenue Scotland as the tax authority are kept as low as possible. However, the cost of administering this tax will not initially be within our target of 1% of revenues generated.

7.2 At the time of preparation of the Financial Memorandum key elements of the design of the tax were not certain. This and the previous comments that there is not an established UK tax from which practical experience can be derived (in contrast with, for example, SAT) meant that the capital and development costs to deliver a functioning tax system were not capable of being defined with specificity at that point. However, development work on the tax design has continued allowing a more accurate capital cost to be determined. The actual capital cost will be lower than that shown in the Financial Memorandum.

7.3 By how much it will be lower will depend on further discussions around the remaining areas of tax design, such as how granular the adjustments will be for local market conditions in the calculation of the tax on a given property.

7.4 The non-capital costs for the development of SBSL relate to the Programme Team described earlier in this submission. Maintaining a single team involved in the consecutive development of SAT and then SBSL is allowing for a more efficient approach than separate teams.

7.5 The ongoing revenue costs of delivering the tax in its live state will also depend on areas of tax design yet to be finalised. For example, if the information sharing provisions of the legislation are drafted in a flexible yet proportionate way then the running costs are capable of being kept to a minimum as the cost of compliance checks can be minimised through data comparisons and checks.

Revenue Scotland
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