

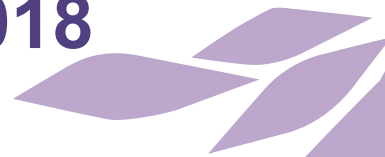


The Scottish Parliament
Pàrlamaid na h-Alba

Published 21 January 2019
SP Paper 452
1st Report, 2019 (Session 5)

Finance and Constitution Committee Comataidh Ionmhais is Bun-reachd

Subordinate Legislation: The Land and Buildings Transaction Tax (Tax Rates and Tax Bands Etc) (Scotland) Amendment Order 2018



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Finance and Constitution Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

- (a) any report or other document laid before the Parliament by members of the Scottish Government containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;
- (b) any report made by a committee setting out proposals concerning public revenue or expenditure;
- (c) Budget Bills; and
- (d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.
- (e) constitutional matters falling within the responsibility of the Cabinet Secretary for Government Business and Constitutional Relations.



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finance.constitution@parliament.scot



0131 348 5215

Committee Membership



Convener
Bruce Crawford
Scottish National Party



Deputy Convener
Adam Tomkins
Scottish Conservative
and Unionist Party



Tom Arthur
Scottish National Party



Neil Bibby
Scottish Labour



Alexander Burnett
Scottish Conservative
and Unionist Party



Willie Coffey
Scottish National Party



Angela Constance
Scottish National Party



Murdo Fraser
Scottish Conservative
and Unionist Party



Emma Harper
Scottish National Party



Patrick Harvie
Scottish Green Party



James Kelly
Scottish Labour

Introduction

1. The Committee took evidence on [The Land and Buildings Transaction Tax \(Tax Rates and Tax Bands Etc\) \(Scotland\) Amendment Order 2018](#) (“the Order”) from Kate Forbes, Minister for Public Finance and Digital Economy, at its meeting on 16 January 2019. The Official Report is available on the [Committee’s website](#).
2. The Delegated Powers and Law Reform Committee considered the Order on 8 January and had no issues to report.

Background

3. In its [Budget 2019-20](#) The Scottish Government proposed the following changes to the Land and Buildings Transaction Tax—
 - To reduce the lower rate of non-residential LBTT from 3% to 1%;
 - To increase the upper rate of non-residential LBTT from 4.5% to 5%;
 - To reduce the starting threshold of the upper rate of non-residential LBTT from £350,000 to £250,000; and
 - To increase the Additional Dwelling Supplement (ADS) rate from three to four percent (payable on purchases of second residential dwellings over £40,000).
4. The Order was laid on 13 December to implement these policy changes.
5. In its [December 2018 Economic and Fiscal Forecasts](#), the Scottish Fiscal Commission suggests that the changes to non-residential LBTT will generate additional revenues of £13m in 2019-20 (P.127). Changes to the ADS are forecast to generate an additional £27m in revenues in 2019-20 (P.122).
6. The [Policy Note](#) states that “these changes mean that non-residential LBTT rates and bands are the most competitive in the UK for all non-residential transactions. This supports the Scottish Government’s desire to ensure that Scotland remains a competitive and attractive location for business investment.”
7. In respect of the ADS, the Policy Note states that “this increase in the supplement forms an important element of the Scottish Government’s drive to protect opportunities for first-time buyers in Scotland, reinforcing the progressive approach in place for LBTT rates and bands.”

Evidence

8. To assist its scrutiny of the Order, the Committee issued a call for written evidence in December 2018. Nine submissions were received and have been published on the [Committee's website](#).
9. During oral evidence, the Committee asked the Minister what consideration had been given to concerns about the potential impact of the increase to the ADS on rent levels and on investment in the private rental sector.
10. In response, the Minister pointed out that the rental sector “remains at a steady 15% in Scotland.” She further noted that ONS figures had shown a 0.5% increase in rents in Scotland to November 2018 compared to 1% and 0.9% increases in England and Wales respectively. This, she suggested, demonstrated that the introduction of the ADS “has not resulted in a significant increase in rents.”
11. The Committee also asked about the basis on which the decision to increase the ADS to 4% had been taken.
12. In response, the Minister stated that the Scottish Government had sought “to strike the right balance...between supporting the private rental sector and...supporting first time buyers.” Evidence from the SFC, she stated, “makes clear that we have got the balance just about right.”
13. The Minister confirmed that the Scottish Government would keep the increase “under review” to measure what impact the increase might have, if any, on the private rental sector and first-time buyers.
14. The Minister also confirmed that the Scottish Government intended to “shortly consult on a new approach to the planning and management of devolved taxes” with the intention of providing “a more structured and efficient means” of making changes to devolved taxes legislation.
15. Following evidence, the Minister moved motion S5M-15215—

“That the Finance and Constitution Committee recommends that the Land and Buildings Transaction Tax (Tax Rates and Tax Bands Etc) (Scotland) Amendment Order 2018 be approved.

The Finance and Constitution Committee agreed the motion. ⁱ

ⁱ This motion was agreed to by division. For - 8 (Bruce Crawford, Tom Arthur, Neil Bibby, Willie Coffey, Angela Constance, Emma Harper, Patrick Harvie, James Kelly); Against - 0; Abstentions - 3 (Adam Tomkins, Alexander Burnett, Murdo Fraser)

Annex A: Extract from the Finance and Constitution Committee's Minutes, 2nd Meeting, 2019, Wednesday 16 January

Item 3. Subordinate legislation: Kate Forbes (Minister for Public Finance and Digital Economy) moved S5M-15215—

That the Finance and Constitution Committee recommends that the Land and Buildings Transaction Tax (Tax Rates and Tax Bands Etc) (Scotland) Amendment Order 2018 be approved.

The Committee agreed the motion by division (For 8 (Tom Arthur, Neil Bibby, Bruce Crawford, Willie Coffey, Angela Constance, Emma Harper, Patrick Harvie, James Kelly), Against 0, Abstentions 3 (Alexander Burnett, Murdo Fraser, Adam Tomkins)).

