

Excerpt from Paper for Scottish Fiscal Commission meeting on 21st June 2016 Assessment of forecasts for residential and non-residential LBTT revenues in 2015-16

Longer-term behavioural responses

An assessment of longer-term behavioural responses to changes in tax rates is dependent on disaggregated data. Revenue Scotland data is only available for one year, so cannot be used on its own to assess such changes. A data request has therefore been sent to HMRC's data laboratory to ask for access to historic SDLT data for Scotland at a disaggregated level.

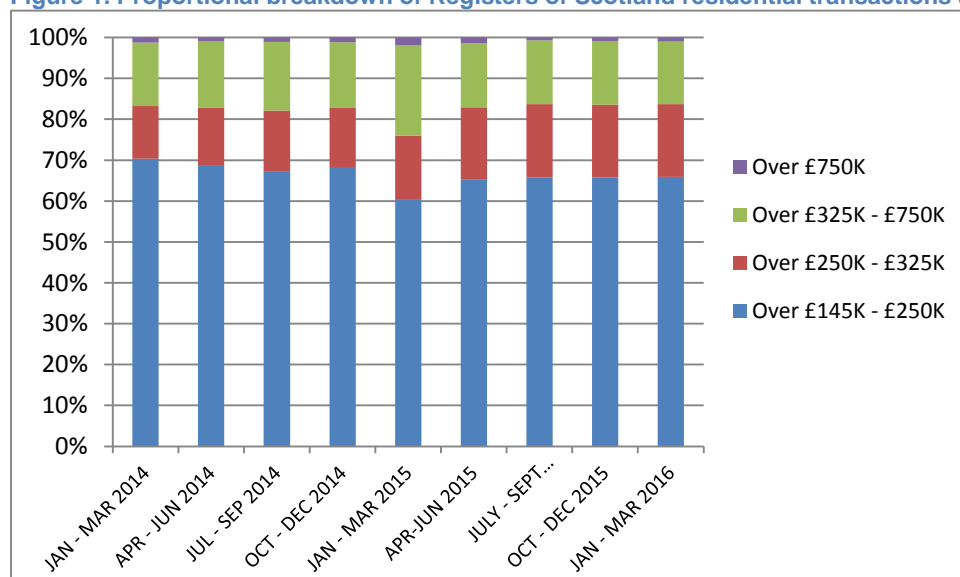
Use has also been made of the Registers of Scotland data. The table below gives a breakdown of transactions by LBTT price band, using a dataset which is consistent with the Registers of Scotland quarterly data (although including sales above £1m and below £20k; but note that this dataset is not revised so will not exactly match the revised published Registers of Scotland data).

Table 1. Registers of Scotland transactions broken down by LBTT price bands

	JAN - MAR 2014	APR - JUN 2014	JUL - SEP 2014	OCT - DEC 2014	JAN - MAR 2015	APR - JUN 2015	JULY - SEPT 2015	OCT - DEC 2015	JAN - MAR 2016
£1 - 145k	10,668	13,498	13,706	13,574	9,124	13,025	14,087	14,960	11,083
Over £145K - £250K	5,097	7,590	8,656	8,069	4,786	7,683	8,888	9,169	5,809
Over £250K - £325K	935	1,548	1,909	1,736	1,250	2,084	2,432	2,476	1,564
Over £325K - £750K	1,122	1,794	2,152	1,900	1,751	1,848	2,108	2,182	1,348
Over £750K	91	97	143	139	156	167	97	114	91
Total	17,913	24,527	26,566	25,418	17,067	24,807	27,612	28,901	19,895
As a proportion of total sales									
£1 - 145k	59.6%	55.0%	51.6%	53.4%	53.5%	52.5%	51.0%	51.8%	55.7%
Over £145K - £250K	28.5%	30.9%	32.6%	31.7%	28.0%	31.0%	32.2%	31.7%	29.2%
Over £250K - £325K	5.2%	6.3%	7.2%	6.8%	7.3%	8.4%	8.8%	8.6%	7.9%
Over £325K - £750K	6.3%	7.3%	8.1%	7.5%	10.3%	7.4%	7.6%	7.5%	6.8%
Over £750K	0.5%	0.4%	0.5%	0.5%	0.9%	0.7%	0.4%	0.4%	0.5%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%

Other than forestalling behaviour around the introduction of LBTT on 1 April 2015, the data does not suggest, at this stage, that there has been a significant reduction in the share of transactions about £325k as a result of the more progressive tax rates under LBTT. This is illustrated in Figure 1, which for ease of viewing restricts the transactions to those above the £145k, i.e. to transactions which fall within the current LBTT tax base.

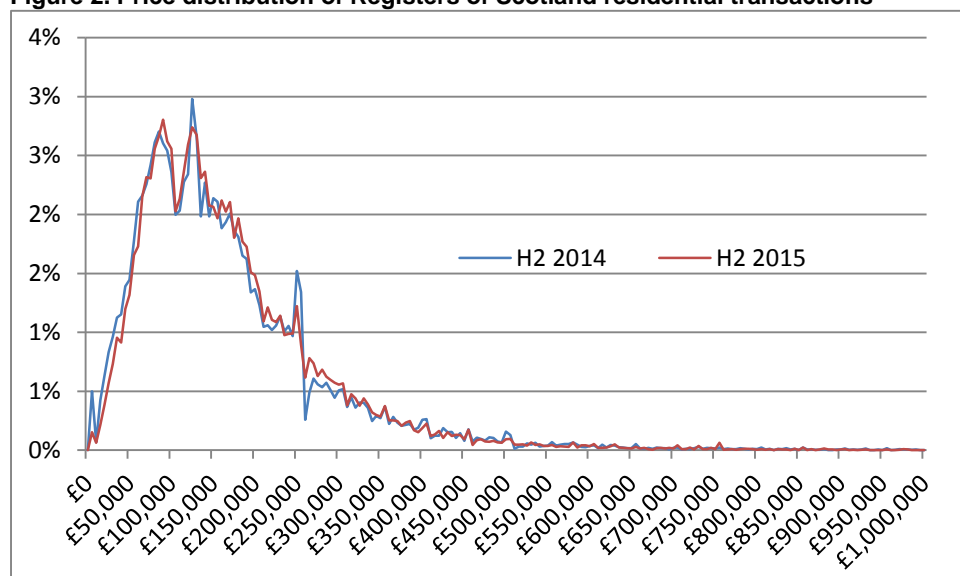
Figure 1. Proportional breakdown of Registers of Scotland residential transactions above £145k



This is further illustrated by looking at record-level Registers of Scotland data. Note that this dataset, which is provided by Registers of Scotland to clients, has differences to the dataset underlying the published Registers of Scotland quarterly housing statistics, since the quarterly data is subject to cleaning to remove non-market price sales, and is also revised over time to remove cancelled sales, etc., as described above.

The figure below plots the distribution of prices for the second half of 2015 and the same period in 2014. The spikes at £125k and £250k in the 2014 data are due to the slab structure of SDLT that applied for most of H2 2014.

Figure 2. Price distribution of Registers of Scotland residential transactions



The distributions appear broadly comparable, with no clear evidence that the proportion of sales above £350k has fallen significantly following the introduction of LBTT. The figure below further illustrates this by plotting the difference in two distribution functions.

Figure 3. Price distribution function for H2 2015 minus that for H2 2014

