

## ANNEX A

### 1. Ministerial Engagement Briefing: Minister for Public Finance, Planning & Community Wealth - Meeting with the Chair and the Head of Corporate Functions of Revenue Scotland (standing in for the Chief Executive) - Tuesday 28 February 2023

[Redacted - Not in scope]

#### ITEM 2. OPERATIONAL PERFORMANCE UPDATE

##### Discussion at your last meeting

- The Chief Executive offered commentary on the latest available Revenue Scotland statistics, with a particular focus on LBTT.

##### **ACTION:**

- No specific actions.

##### Key Messages

- Welcome Revenue Scotland's reflections on what the available data tells us about the prospects for Scotland's residential and non-residential property markets. Are there any particular points to consider?

##### Background

This item provides Revenue Scotland representatives with an opportunity to set out their take on the latest available LBTT and SLFT statistics, and on the outlook for the future. Commentary on the most current data and other relevant points is set out below.

##### Land and Buildings Transaction Tax

- Overall, the news on 2022-23 LBTT revenues (for the first 10 months of the year at least) is largely positive but is likely to turn negative for the remainder of the year.
- Budget 2022-23 (December 2021) set an LBTT forecast of £749m. After 10 months (April 2022-January 2023), outturn to date (£730m) is £80m above the notional 10-month forecast. This is mainly due to continued unexpected buoyancy in the Scottish housing market during the 2022 calendar year
- This buoyancy resulted in an upgrade to the 2022-23 forecast in the 2023-24 Budget (December 2022) to £850m. It is uncertain that this updated forecast will be met however though, in budget terms, the original £749m forecast is the more significant target
- Latest monthly data (January 2023) suggests that property markets have slowed in the towards the end of 2022 and early 2023 but that the original £749m forecast is still very likely to be achieved and exceeded.
- The longer term forecast for LBTT is for a decline in property prices and transactions in 2023-24 and 2024-25 to lead to lower revenues than in 2022-23
- Data from OBR and HMT also suggests that the LBTT net budget position in 2022-23 is expected to be strongly positive (+£133m) i.e. LBTT outturn is likely to exceed

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the Block Grant Adjustment based on expected Stamp Duty Land Tax (SDLT) revenues.

- This is partly due to strong LBTT performance overall but also the increase in SDLT 0% threshold announced in September 2022 which will reduce 2022-23 SDLT revenues overall. SDLT transactions and revenues are also faltering in RUK towards the end of 2022-23 which will act to maintain the positive net budget position for LBTT i.e. property markets are declining across the UK in response to higher borrowing costs and cost of living increases which should largely counterbalance the expected decline in revenues in Scotland.

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### 2. Ministerial Engagement Briefing: - Deputy First Minister's introductory meeting with Revenue Scotland - 26 April 2023 Introductory meeting with the Chief Executive and Chair of Revenue Scotland.

[Redacted - Not in Scope]

#### Annex C: PERFORMANCE OF DEVOLVED TAXES

**ISSUE:** If time is available, the RS Chief Executive may offer reflections on the latest tax performance data, in particular in terms of LBTT (latest data available is for March 2023). A short summary of key points from an SG perspective is offered below.

#### Land and Buildings Transaction Tax (LBTT)

- Based on Revenue Scotland data, provisional outturn LBTT revenue for 2022-23 is £842m (this is however unpublished and takes account of ADS repayments for pre-2022-23 transactions).
- This represents record LBTT revenue and exceeds the SFC Budget 2022-23 forecast (£749m) by £93m. It is however £8m below the SFC's updated in-year forecast (December 2022) of £850m.
- This positive revenue position was driven by residential LBTT, in particular due to higher than expected house price growth over the year. The Scottish Budget 2023-24 increase in the ADS rate to 6% also contributed to the overall position. Residential transactions were however lower than in 2021-22, with clear signs of a cooling property market in Q4 (Jan-March 2023).
- On the other hand, the non-residential revenue element of LBTT was £12m **lower** than initially forecast, reflecting a less buoyant commercial market in terms of price growth.
- Audited 2022-23 total outturn by LBTT component (also for SLfT) will be published by Revenue Scotland in Autumn 2023

#### Looking Ahead

- The SFC forecast (December 2022) LBTT revenues to decline to £774m in 2023-24 and £728m in 2024-25, due to adjustments in the housing market as a result of higher mortgage rates e.g., lower transactions and prices.
- New SFC forecasts will be published as part of the Medium-Term Financial Strategy (MTFS) on 25 May. This will reflect the latest macroeconomic background and property price/transaction data.

[Redacted - Not in Scope]

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### 3. Ministerial Engagement Briefing Ministerial Engagement Briefing: Minister for Community Wealth and Public Finance - Bilateral with Revenue Scotland – 2 May 2023

[Redacted - Not in Scope]

#### ITEM 2. OPERATIONAL PERFORMANCE UPDATE

##### Discussion at your last meeting

##### Tax Revenues

- Revenue Scotland representatives provided commentary on the latest available statistics, with a particular focus on LBTT. A change (relative to previous patterns) was being seen on LBTT for the first time in the year, reflecting changing circumstances in the housing market.
- [Redacted - Not in Scope]

##### **Key Points**

- Welcome Revenue Scotland's reflections on what the available data tells us about the prospects for Scotland's residential and non-residential property markets.
- Are there any particular points to consider, now that we have LBTT data for all of 22-23?

##### **Background**

##### Land and Buildings Transaction Tax (LBTT)

- Based on Revenue Scotland data, provisional outturn LBTT revenue for 2022-23 is £842m (this is however unpublished and takes account of ADS repayments for pre-2022-23 transactions).
- This represents record LBTT revenue and exceeds the SFC Budget 2022-23 forecast (£749m) by £93m. It is however £8m below the SFC's updated in-year forecast (December 2022) of £850m.
- This positive revenue position was driven by residential LBTT, in particular due to higher than expected house price growth over the year. The Scottish Budget 2023-24 increase in the ADS rate to 6% also contributed to the overall position. Residential transactions were however lower than in 2021-22, with clear signs of a cooling property market in Q4 (Jan-March 2023).
- On the other hand, the non-residential revenue element of LBTT was £12m **lower** than initially forecast. reflecting a less buoyant commercial market in terms of price growth.
- Audited 2022-23 total outturn by LBTT component (also for SLfT) will be published by Revenue Scotland in Autumn 2023

##### Looking Ahead:

- The SFC forecast (December 2022) LBTT revenues to decline to £774m in 2023-24 and £728m in 2024-25, due to adjustments in the housing market as a result of higher mortgage rates e.g., lower transactions and prices.

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- New SFC forecasts will be published as part of the Medium-Term Financial Strategy (MTFS) on 25 May. This will reflect the latest macroeconomic background and property price/transaction data.

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### 4. Ministerial Engagement Briefing: Minister For Community Wealth and Public Finance - Bilateral with Revenue Scotland – 16 May 2023

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## ANNEX A – BRIEFING ON AGENDA ITEMS

### ITEM 2. OPERATIONAL PERFORMANCE UPDATE

#### Discussion at your last meeting

##### Tax Revenues

- Revenue Scotland representatives provided commentary on the latest available statistics, with a particular focus on LBTT. A change (relative to previous patterns) was being seen on LBTT for the first time in the year, reflecting changing circumstances in the housing market.

[Redacted – Not in scope]

#### **Key Points**

- Welcome Revenue Scotland's reflections on what the available data tells us about the prospects for Scotland's residential and non-residential property markets.
- Are there any particular points to consider, now that we have LBTT data for all of 22-23, and the first month of 2023-24 (data for April 2023 was published last week)?

#### **Background**

##### Land and Buildings Transaction Tax (LBTT)

2022-23

- Based on Revenue Scotland data, provisional outturn LBTT revenue for 2022-23 is £842m (this is however unpublished and takes account of ADS repayments for pre-2022-23 transactions).
- This represents record LBTT revenue and exceeds the SFC Budget 2022-23 forecast (£749m) by £93m. It is however £8m below the SFC's updated in-year forecast (December 2022) of £850m.
- This positive revenue position was driven by residential LBTT, in particular due to higher than expected house price growth over the year. The Scottish Budget 2023-24 increase in the ADS rate to 6% also contributed to the overall position. Residential transactions were however lower than in 2021-22, with clear signs of a cooling property market in Q4 (Jan-March 2023).
- On the other hand, the non-residential revenue element of LBTT was £12m **lower** than initially forecast. reflecting a less buoyant commercial market in terms of price growth.
- Audited 2022-23 total outturn by LBTT component (also for SLfT) will be published by Revenue Scotland in Autumn 2023

April 2023

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- Revenue Scotland published LBTT data for April 2023 on 12 May, representing the first set of monthly data for the new financial year. RS reported that:
  - a total self-reported tax liability of £63.9m was declared by taxpayers in April 2023.
  - The tax liability, excluding ADS, declared in April 2023 was £46.2m. This is £2.6m less than March 2023, and £5.9m less than April 2022.
  - Residential liabilities, excluding ADS, decreased by £0.3m and non-residential liabilities, excluding ADS, decreased by £2.3m compared to March 2023.
  - A total of 8,800 notifiable land and building transactions were reported in April 2023.. This is 240 fewer than March 2023, and 1,070 fewer than April 2022.

### Looking Ahead:

- The SFC forecast (December 2022) LBTT revenues to decline to £774m in 2023-24 and £728m in 2024-25, due to adjustments in the housing market as a result of higher mortgage rates e.g., lower transactions and prices.
- New SFC forecasts will be published as part of the Medium-Term Financial Strategy (MTFS) on 25 May. This will reflect the latest macroeconomic background and property price/transaction data.

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### 5. Ministerial Engagement Briefing Ministerial Engagement Briefing: Minister for Community Wealth and Public Finance - Bilateral with Revenue Scotland – 19 October 2023

[Redacted - Not in Scope]

#### Background on LBTT statistics

From the available outturn data (6 months) in 2023-24, we currently know that LBTT is performing moderately above the notional 6-month forecast; is ahead of the corresponding block grant adjustment (BGA) by some considerable margin and likely to produce a very positive net Budget impact. It is however simultaneously in decline relative to previous years, due to falling property prices and transactions (the two key drivers of LBTT revenue).

#### Latest forecasts

- The May 2023 Scottish Fiscal Commission forecast for 2023-24 is £772m. This marks a reduction of 9% on 2022-23 provisional outturn (£848m).
- The net Budget impact (i.e. after block grant adjustments) of LBTT is currently forecast to be +£254 million which means the revenue forecast is above the equivalent BGA by that amount. This is the largest forecast net Budget impact in any year of LBTT i.e. since 2015-16. This is partly due to better overall market performance and partly because UKG has temporarily raised the nil band threshold on SDLT until end-March 2025. The outlook for the net Budget impact is also strongly positive over the next 5 years however even with the end of the temporary SDLT cut.

#### Latest outturn

For the first half of 2023-24 (i.e. to end-September) revenue declared was £418m which means:

- there is currently a notional forecast surplus of £20m (5%) compared to the forecast for total LBTT the first half of the year (£398m)
- all elements of LBTT including residential excl. ADS (£226m), ADS (£95m), non-residential (£97m) were moderately ahead of respective notional forecasts
- despite being above forecast, total revenues are 4% lower in the first half of 2023-24 in the first half of 2022-23
- residential transactions (down 9%) and non-residential transactions (down 3%) are both contributing to this and revenues are falling in both sectors
- the exception to revenue decline of ADS where a 50% increase in the ADS rate (from 4% to 6%) from December 2022 has only translated into a 20% increase in revenues in the first half of 2023-24 compared to the same period a year ago. This is partly because ADS transactions are down 14% in the first half of this year compared to last
- The current outlook for property markets is further reductions in transactions and prices both this year and next so we expect outturn to slow in the second half of 2023-24 (for market as well as seasonal reasons)

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### 6. Ministerial Engagement Briefing: Mr McKee, Minister for Public Finance - Bilateral with Revenue Scotland – 12 March 2025

[Redacted - Not in Scope]

#### Latest LBTT data (to end-January 2025)

Between April 2025 January 2025 (10 months) LBTT revenue declared was £764.1m (including ADS repayments in 2024-25 on earlier years' transactions). This revenue performance is:

- £86m (13%) above total revenue in the same 10-month period in 2023-24, and significantly above the original 2024-25 Budget forecast of £730m (SFC, December 2023)
- But £26m (3%) behind the latest in-year projection for the 10 months to January 2025 of £791m (based on SFC forecast, December 2024)

On current trends, we estimate that there will be further revenues of £115m in the remaining two months of the financial year and total LBTT revenue of £881m for 2024-25.

This would result in an overall revenue shortfall of £30m (3%) compared to the updated December 2024 forecast for 2024-25 of £911m. Redacted - Not in Scope.

This does not reflect on Revenue Scotland performance, but is rather a reflection of residential property market performance in the period since the latest forecast. In particular, it reflects lower than expected Additional Dwelling Supplement (ADS) outturn. The latest increase in ADS rate to 8% will not yet have filtered through to revenues (February onwards).

[Redacted - Not in Scope]

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### 7. Ministerial Engagement Briefing: Mr McKee, Minister for Public Finance - Bilateral with Revenue Scotland – 30 June 2025

#### ANNEX A – BRIEFING ON AGENDA ITEMS

<b>ITEM 1: DEVOLVED TAXES AND OPERATIONAL PERFORMANCE</b>
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#### Fully Devolved Taxes data

##### Provisional outturn and forecast errors, 2024-25

2024-25 provisional outturn (£m)	LBTT	SLfT	Total
Tax revenues (excluding penalties etc)	899.2	55.9	955.1

##### Composition of LBTT provisional outturn, 2024-25:

	£m	% of total
Residential excl. ADS	485.5	54%
Net ADS (i.e. after repayments of £78.0m)	179.7	20%
Non-residential	234.0	26%
<b>Total</b>	<b>899.2</b>	<b>100%</b>

##### Notes:

- For consistency provisional outturn relates to tax revenues only and therefore excludes penalties, interest and other adjustments which are not included in the forecasts.
- The following breakdowns are based on SFC Dec 23 and Dec 24 forecasts. Revenue Scotland updates may slightly differ from these if they compare to SFC May 25 forecasts.

#### Land and Buildings Transaction Tax (LBTT)

LBTT provisional outturn in 2024-25 was £899.2 million which was:

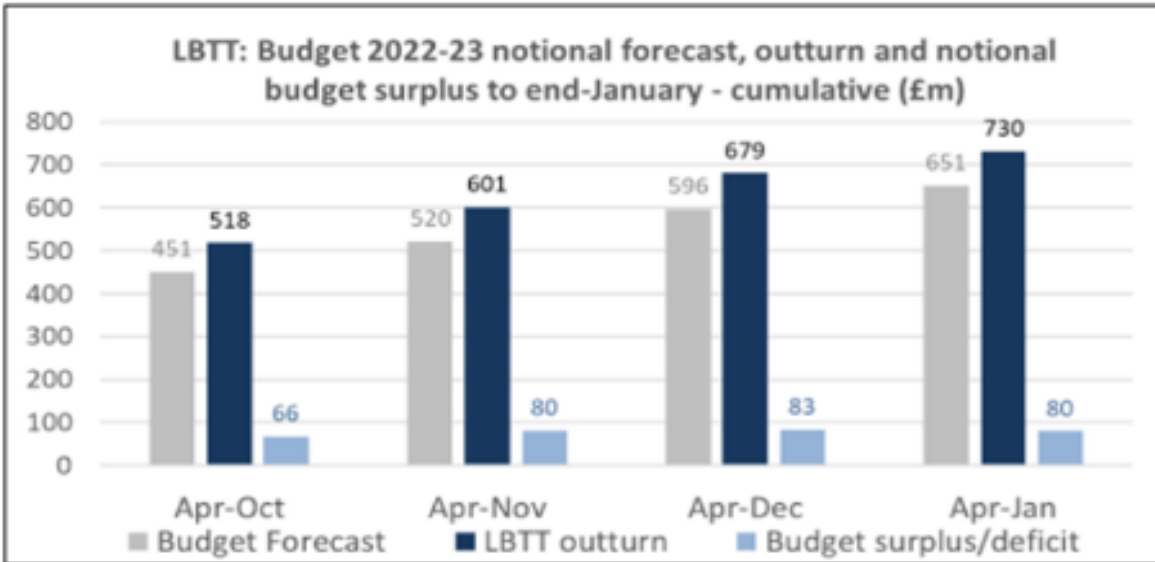
- Record revenues for a financial year since LBTT was introduced in 2015-16.
- a £169m (+23%) surplus over the original Budget 2024-25 (Dec 2023) SFC forecast.
- a -£12m (-1%) deficit on the SFC's updated in-year (Dec 2024) forecast; and
- an increase of £115m (15%) on 2023-24 outturn (£784.3m).

[Redacted - Not in Scope.]

Briefing/Advice for Ministers' January- 2022-23 – Tax Slide

## 5.1 Devolved Taxes Update - Land and Buildings Transaction Tax (LBTT)

### Fully devolved taxes notional financial position relative to Budget 2022-23 (as at 15 February 2023) excluding BGA impacts unless otherwise stated



**LBTT after 10 months**

- Notional forecast, £651m
- **Outturn, £730m**
- **Notional surplus = £80m**
- **Next data 10 Mar 23**

- At end-Dec, £730m (97%) declared out of £749m forecast (Dec 2021).
- Notionally £80m ahead of 10-month forecast (based on typical year).
- **£80m surplus due to resilience of property prices/transactions but in Jan (-£4m) that was reversed.**
- Budget forecast (Dec 2022) was £850m (+£101m on Dec 2021)
- Forecast increase due to Apr-Jan tax performance (+£80m) and Budget tax change from 16/12/22 (+£12m)
- LBTT 2022-23 forecast net position (after BGA) = **+£133m** given UK SDLT tax cut from 23/9/2022

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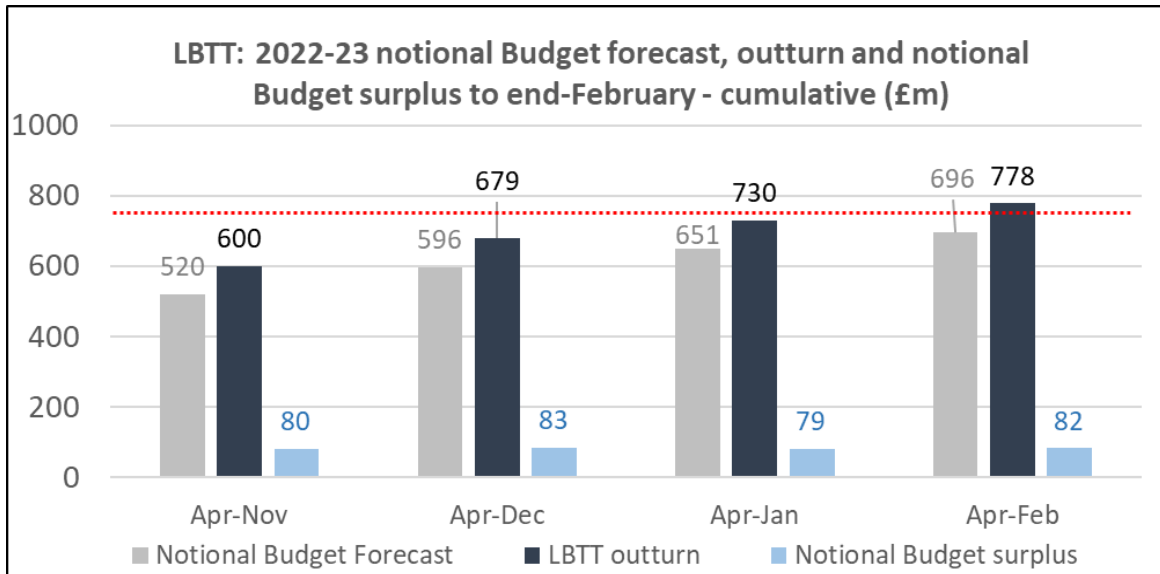
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Briefing/Advice for Ministers February - 2022-23 – Tax Slide

## 5.1 Devolved Taxes Update - Land and Buildings Transaction Tax (LBTT)

**Fully devolved taxes notional financial position relative to Budget 2022-23 (as at 18 March 2023) excluding BGA impacts unless otherwise stated**



**LBTT after 11 months**

- Notional forecast, £696m
- **Outturn, £778m**
- **Notional surplus = £82m**
- **March data out 6 April 2023**

- 1. Positive news for Budget after 11 months**
- Budget forecast (red line) met. £778m outturn v SFC forecast of £749m (Dec 2021).
- 3. £82m above notional forecast after 11 months (adjusting for seasonality)**
- Surplus due to resilient property price growth and ADS rate change (6% from mid-Dec)
- 5. Central SG unofficial projection: outturn £837m - £88m above Budget**
- LBTT 2022-23 forecast net position (after BGA) = +£128m (updated for UK Budget 2023)
- 7. No negative Budget impact in 2022-23 due to Fiscal Framework**

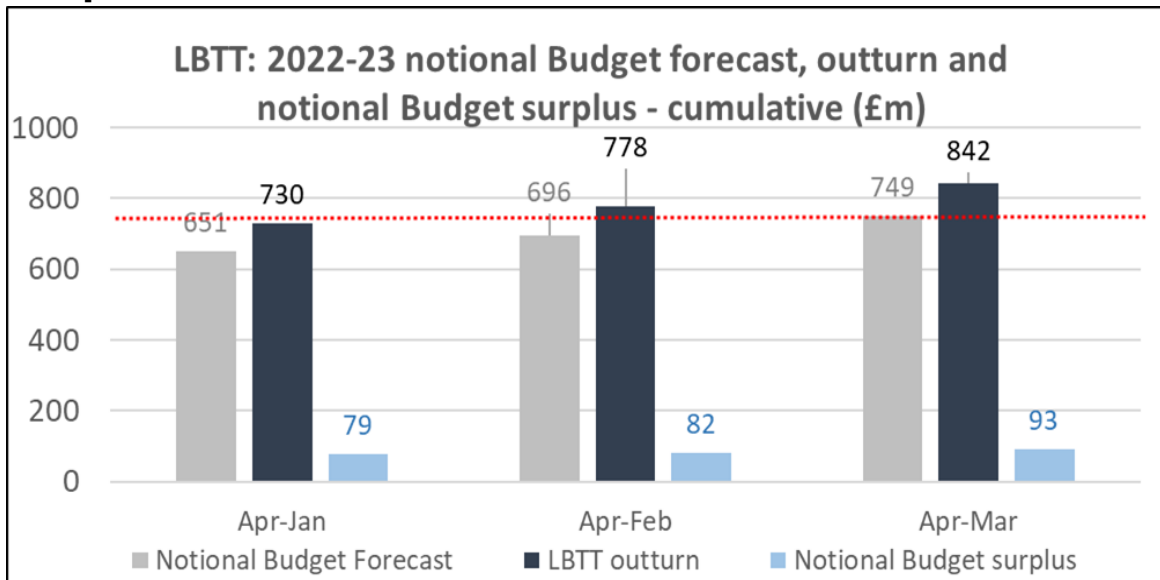
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Briefing/Advice for Ministers' – March 2022-23 – Tax Slide

## 5.1 Devolved Taxes Update - Land and Buildings Transaction Tax (LBTT)

### Fully devolved taxes notional financial position relative to Budget 2022-23 (as at 6 April 2023) excluding BGA impacts unless otherwise stated



**LBTT after 12 months**

- Notional forecast, £749m
- **Outturn, £842m**
- **Notional surplus = £93m**
- April data out 12 May 2023

- 1. Positive news for Budget after 12 months**
- Budget forecast (red line) met. £842m outturn v SFC forecast of £749m (Dec 2021).
- £93m above notional forecast.** Surplus due to resilient property price growth and ADS rate change (6% from mid-Dec)
- LBTT 2022-23 forecast net position (after BGA) = +£128m (updated for UK Budget 2023)
- 5. No negative Budget impact in 2022-23 due to Fiscal Framework**

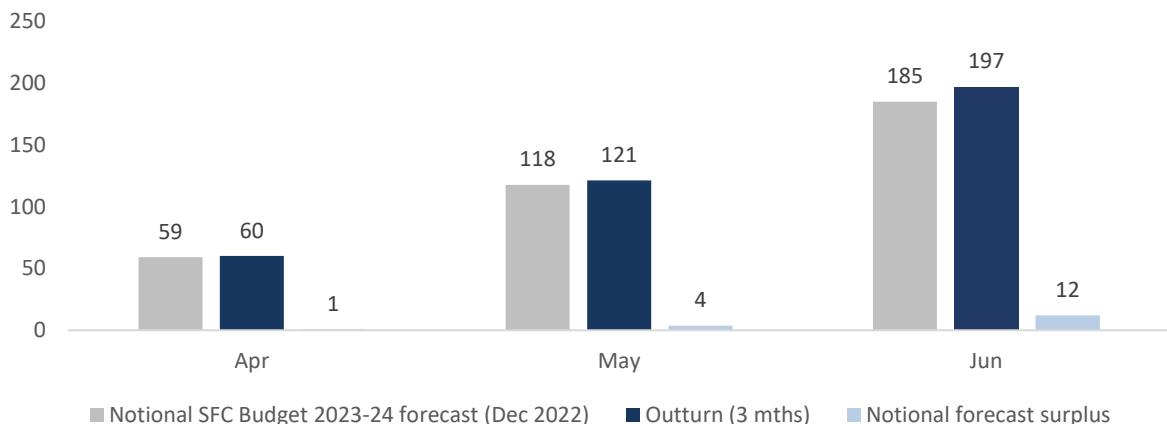
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Briefing/Advice for Ministers' – June 2023-24

## 6.1 Fully Devolved Taxes Notional Financial Position Relative to MTFS 2023 Forecasts (excluding BGA impacts unless otherwise stated as at 20 July 2023)

LBTT 2023-24 notional forecast (MTFS May 2023), outturn and notional forecast surplus to end-June 2023 (£m)



### LBTT after 3 months

- Notional forecast, £185m
- Outturn, £197m
- Notional surplus = £12m
- July data out 11 August 2023

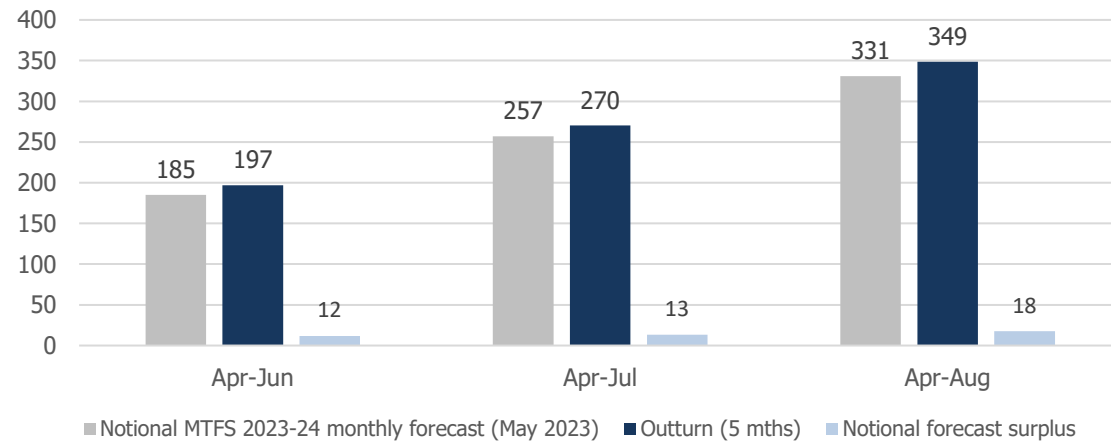
1. **Positive news (for now) – after 3 months of 2022-23**
2. Updated Budget forecast £772m (May 2023 MTFS). After 3 months, outturn (£197m) was £12m ahead of updated notional forecast (£185m)
3. Surplus is all due to residential LBTT (+£12m). Non-residential LBTT forecast surplus = £0m.
4. 2023-24 forecast net position (after BGA) = +£254m (post-2023 UK Budget and 2023 MTFS)
5. Difficulties sustaining a forecast surplus likely given impact on residential market of mortgage rate increases in May/June

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Briefing/Advice for Ministers' – August 2023-24

**LBTT: 2023-24 notional monthly forecast, outturn and notional forecast surplus/deficit - cumulative (£m)**



**LBTT after 5 months**

- Notional forecast, £331m
- **Outturn, £349m**
- **Notional surplus = £18m**
- **September data published 13 October**

- 1. Positive after 5 months of 2023-24**
2. Target revenue for the year is the updated forecast of £772m (May 2023 MTFS).
3. After 5 months, outturn (£349m) was £331m (+ 5%) ahead of updated notional forecast (£331m)
4. Surplus largely from residential LBTT (+£17m). Non-residential LBTT surplus = +£1m.
5. Difficulties sustaining forecast surplus are likely as the year progresses given market outlook
6. 2023-24 forecast net position (after BGA) = +£254m (post-2023 UK Budget and 2023 MTFS)
7. BGA +tive position above is stable after 4 months as LBTT progress against forecast (35% declared) is better than SDLT progress against forecast (33%)

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Briefing/Advice for Ministers' – September 2023-24

**Fully devolved taxes notional financial position relative to MTFS 2023 forecasts (excluding BGA impacts unless otherwise stated as at 18 October 2023)**

**LBTT 2023-24 forecast, outturn and forecast surplus to end-September 2023 (£m)**



**LBTT**

**LBTT after 6 months**

- Notional forecast, £398m
- **Outturn, £418m**
- **Notional surplus = £21m (rounded)**
- **October data published 10 November**

- 1. Moderately positive after 6 months of 2023-24**
2. Updated forecast is £772m (May 2023 MTFS).
3. After 6 months, outturn (£418m) was £21m (+ 5%) ahead of updated notional forecast (£398m)
4. Surplus mainly from residential LBTT = +£18m with non-residential surplus = +£2m (rounded).
5. Increasing forecast surplus in H2 significantly beyond £21m unlikely given market prospects
6. 2023-24 forecast net position (after BGA) = +£254m (post-2023 UK Budget/2023 MTFS)
7. BGA +tive position above is stable after 6 months as 54% of LBTT forecast has been declared compared to 52% for SDLT.
8. BGA update 22 Nov.

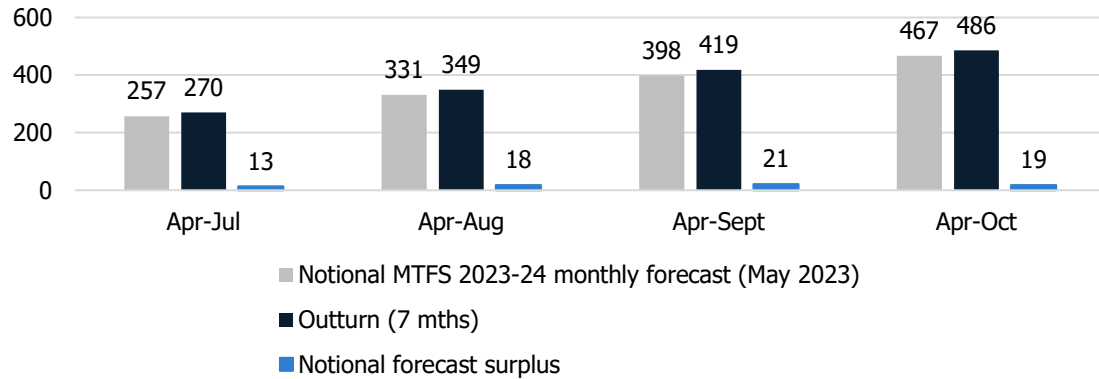
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Briefing/Advice for Ministers' – October 2023-24

# Fully devolved taxes notional financial position relative to MTFS 2023 forecasts (excluding BGA impacts unless otherwise stated as at 13 November 2023)

**Chart 1A. LBTT: 2023-24 notional forecast, outturn and notional forecast surplus to end-October 2023 - cumulative (£m)**



## LBTT

### LBTT after 7 months

- Notional forecast, £398m
- **Outturn, £486m**
- **Notional surplus = £19m (rounded)**
- **November data published 15 December**

### 1. Moderately positive after 7 months of 2023-24

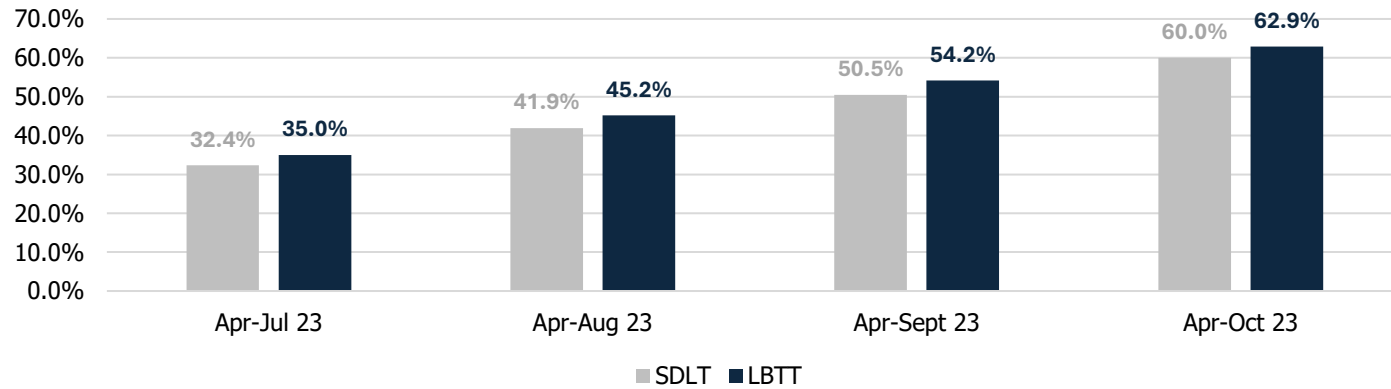
2. Latest published forecast £772m (May 2023 MTFS).
3. After 7 months, outturn (£486m) was £19m (+ 4%) ahead of notional 7 month forecast (£467m)
4. Surplus from residential LBTT = +£22.2m. Non-residential LBTT forecast deficit = -£3.5m (Chart 3).
5. Relative to RUK Stamp Duty Land Tax outturn, the LBTT forecast surplus is robust (Chart 2A).
6. UK Autumn Statement forecast for SDLT was revised upwards from Spring Statement (+2.8%)
7. Updated LBTT forecast for 2023-24 will be published in the Scottish Budget (19 Dec) and will fully update the (forecast) 2023-24 net budget impact of the tax

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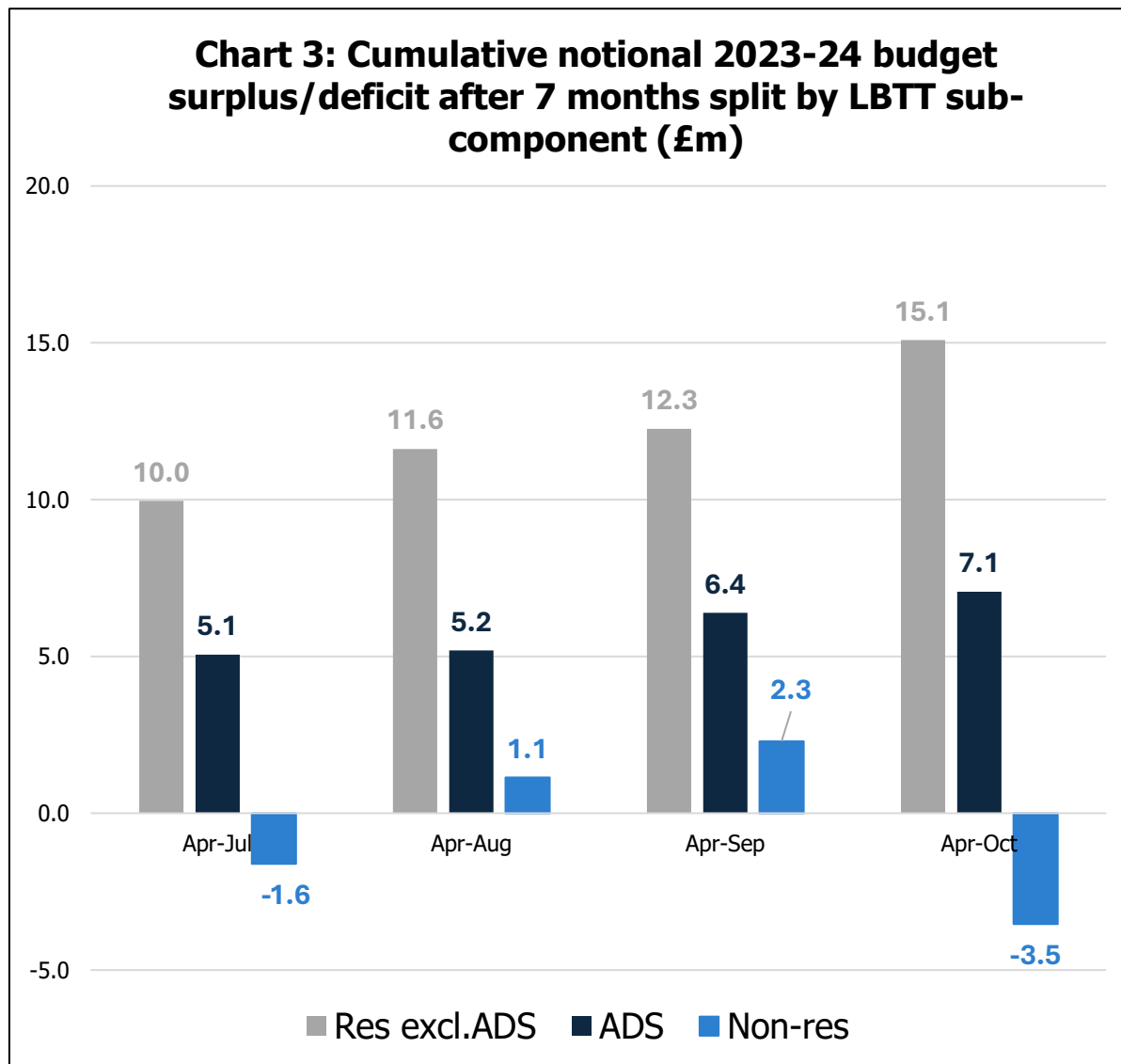
# Robustness of relative 2023-24 outturn to date for the fully devolved taxes

**Chart 2A: 2023-24 - Cumulative % of latest SDLT forecast (November 2023) and latest LBTT forecast (May 2023) declared by end-October 2023**



LBTT/SDLT

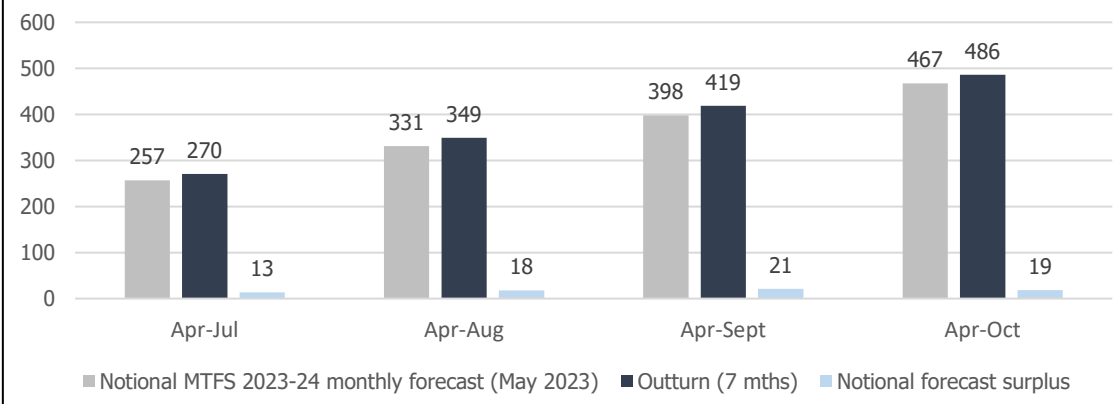
- Robust after 7 months of outturn;** LBTT progress on annual forecast (63%) slightly ahead of SDLT progress (60%).



- **LBTT revenue progress against after 7 months depends on property market sub-sector**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) is £15.1m (6%) ahead of forecast
- ADS is £7.1m (7%) ahead of forecast
- Non-residential LBTT is £3.5m (3%) behind forecast. Some evidence that commercial leases are now being taken out instead of property purchases

Briefing/Advice for Ministers' – November 2023-24

**Chart 1A. LBTT: 2023-24 notional forecast, outturn and notional forecast surplus to end-October 2023 - cumulative (£m)**



## LBTT

### LBTT after 7 months

- **Notional forecast, £467m**
- **Outturn, £486m**
- **Notional surplus = £19m (rounded)**
- **November data published 15 December**

### 1. Moderately positive after 7 months of 2023-24

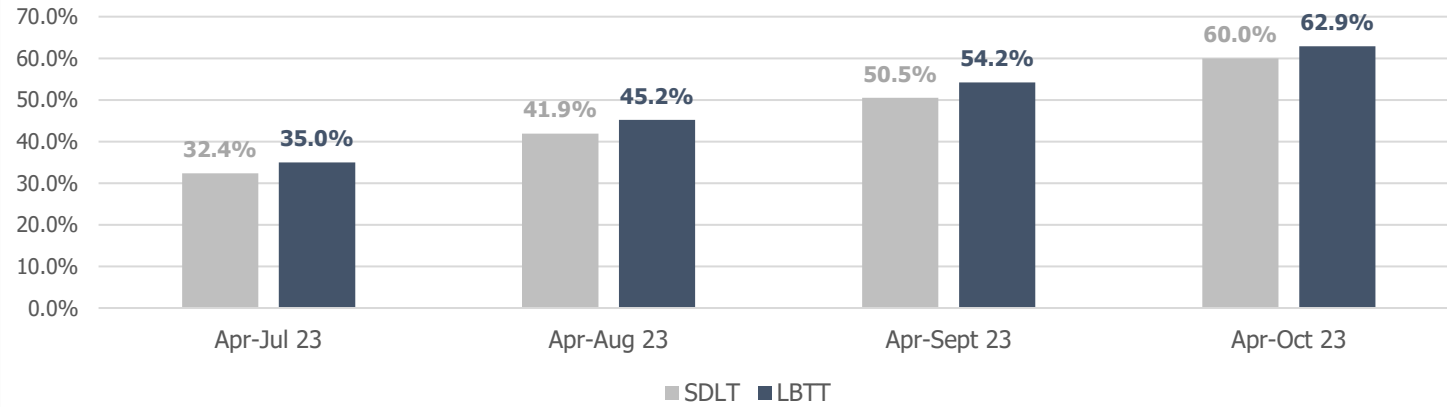
2. Latest published forecast £772m (May 2023 MTFS).
3. After 7 months, outturn (£486m) was £19m (+ 4%) ahead of notional 7 month forecast (£467m)
4. Surplus from residential LBTT = +£22.2m. Non-residential LBTT forecast deficit = -£3.5m (Chart 3).
5. Relative to RUK Stamp Duty Land Tax outturn, LBTT outturn to date is robust (Chart 2A).
6. UK Autumn Statement forecast for SDLT was revised upwards from Spring Statement (+2.8%)
7. Updated LBTT forecast for 2023-24 will be published in the Scottish Budget (19 Dec) and will fully update the (forecast) 2023-24 net budget impact

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# Robustness of relative 2023-24 outturn to date for the fully devolved taxes

**Chart 2A: 2023-24 - Cumulative % of latest SDLT forecast (November 2023) and latest LBTT forecast (May 2023) declared by end-October 2023**



LBTT/SDLT

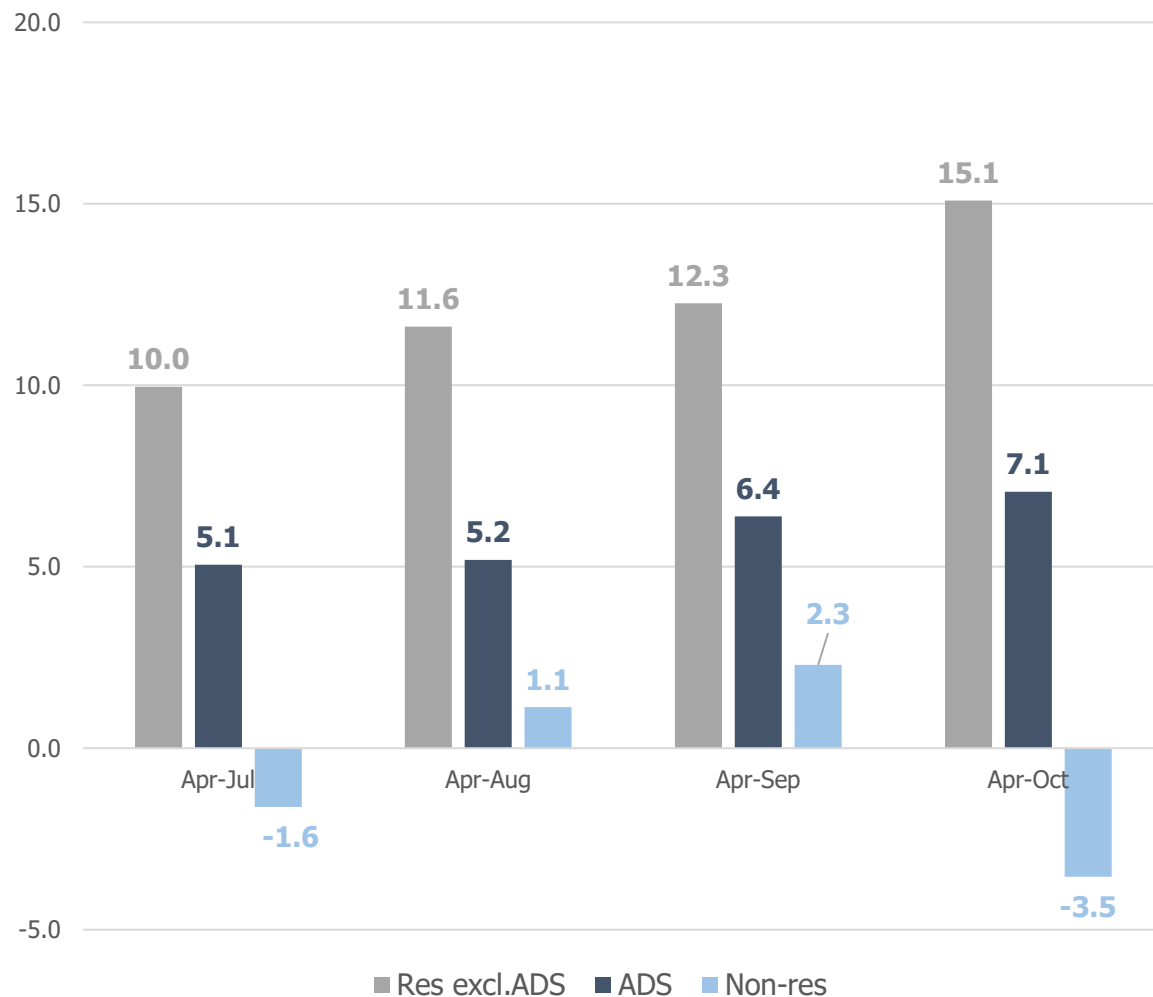
- Robust after 7 months of outturn;** LBTT progress on annual forecast (63%) slightly ahead of SDLT progress (60%).

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# LBTT 2023-24 notional forecast surplus breakdown by component

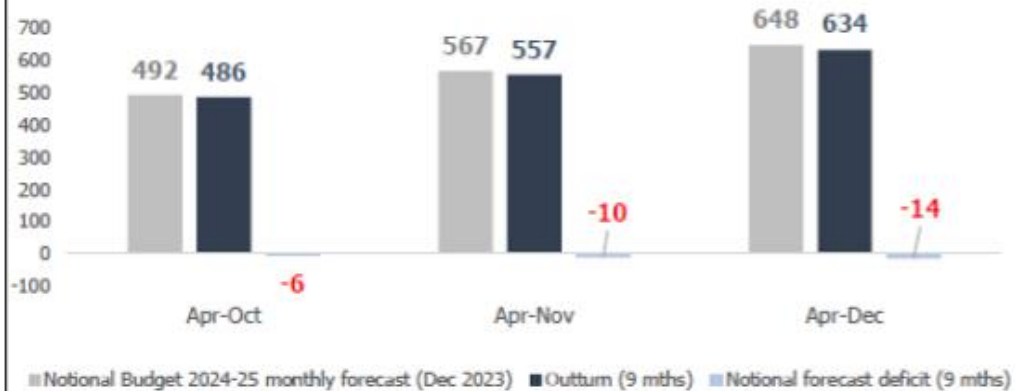
Chart 3: Cumulative notional 2023-24 budget surplus/deficit after 7 months split by LBTT sub-component (£m)



- **LBTT revenue progress against after 7 months depends on property market sub-sector**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) is £15.1m (6%) ahead of forecast
- ADS is £7.1m (7%) ahead of forecast
- Non-residential LBTT is £3.5m (3%) behind forecast. Some evidence that commercial leases are now being taken out instead of property purchases

Briefing/Advice for Ministers' – December 2023-24

## Fully devolved taxes notional financial position relative to Budget 2024-25 forecasts (excluding BGA impacts unless otherwise stated as at 31 January 2024)

Chart 1A: LBTT 2023-24 forecast (December 2023),  
outturn and forecast surplus to end-December 2023 (£m)

## LBTT

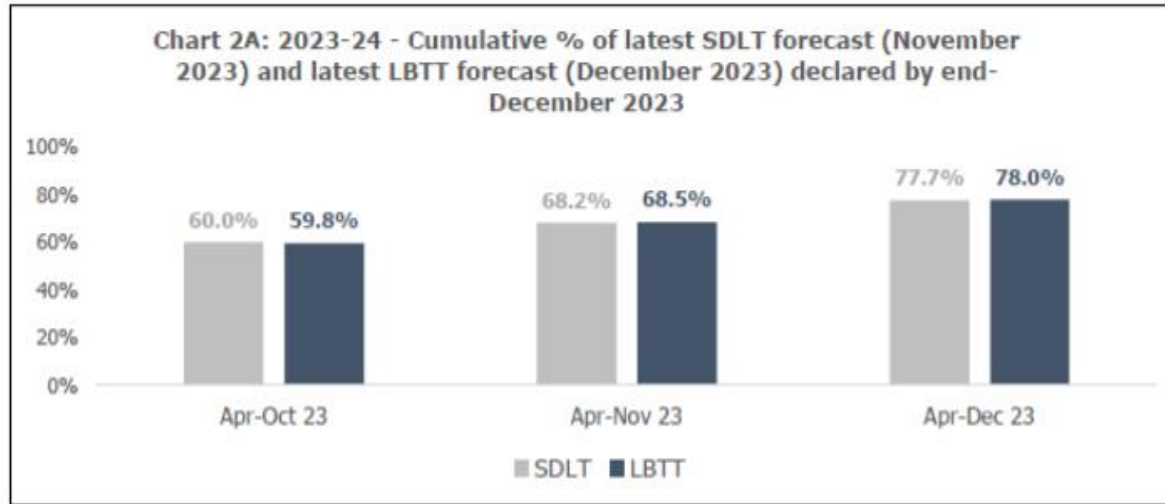
## LBTT after 9 months

- Notional forecast, £648m
- Outturn, £634m
- Notional deficit = -£14m
- January data published 9 February 2024

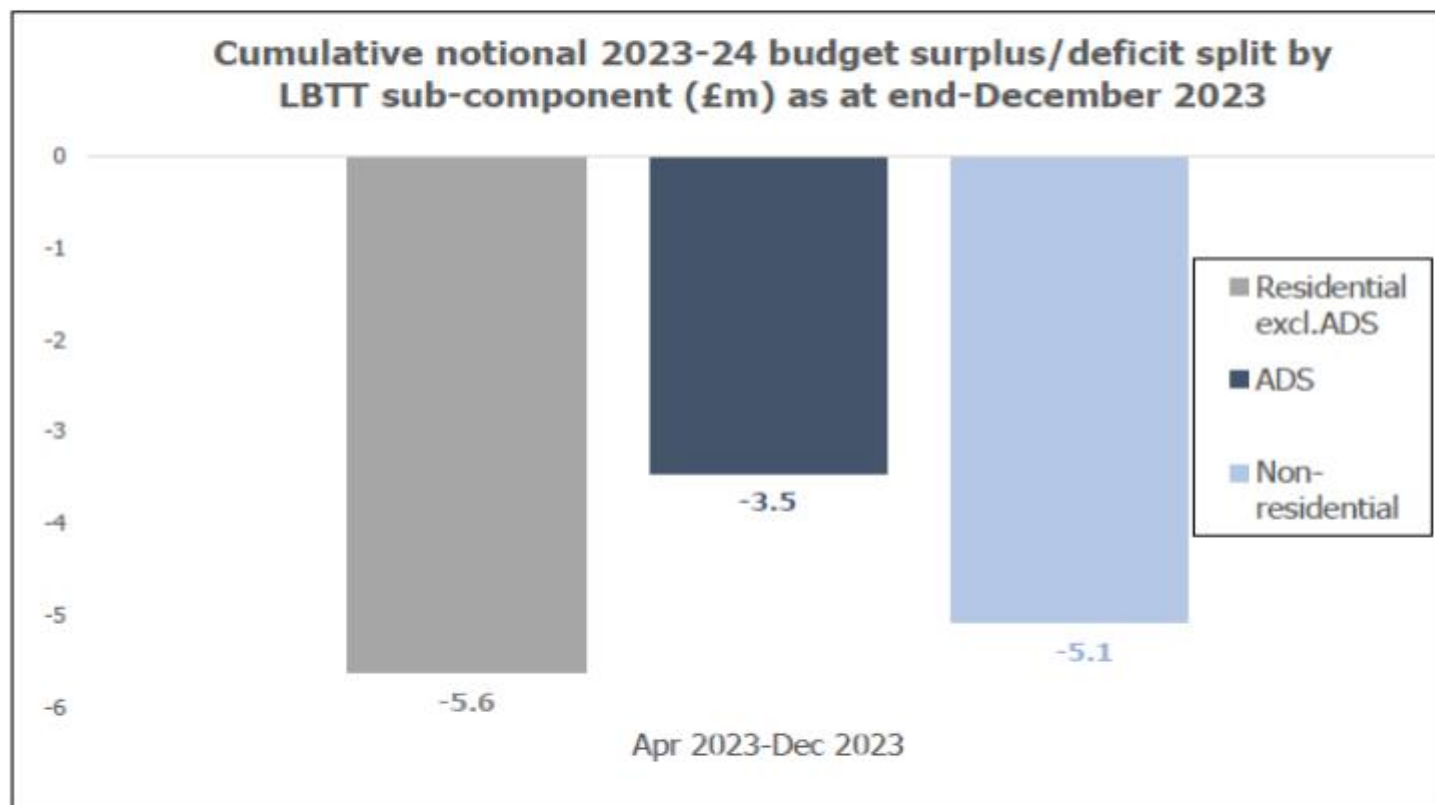
1. Outturn £14m behind notional in-year forecast after 9 months of 2023-24
2. Latest published forecast £813m (Dec 2023).
3. After 9 months, outturn (£634m) was £14m (-2.2%) behind notional 9 month forecast (£648m)
4. Deficit created by increase in the forecast since May 2023 (+£40m) and weaker than expected outturn Oct-Dec 23.
5. Relative to RUK Stamp Duty Land Tax outturn, LBTT 2023-24 outturn performance to date is similar (Chart 2A).
6. Both UK Autumn Statement BGA forecast (+3%) and Scottish Budget forecasts for LBTT (+5%) revised upwards from previous forecasts
7. Forecast net budget impact 2023-24 (Dec 2023) = +£256m (historically positive)

## Robustness of relative 2023-24 outturn to date for the fully devolved taxes in Scotland and RUK

LBTT/SDLT



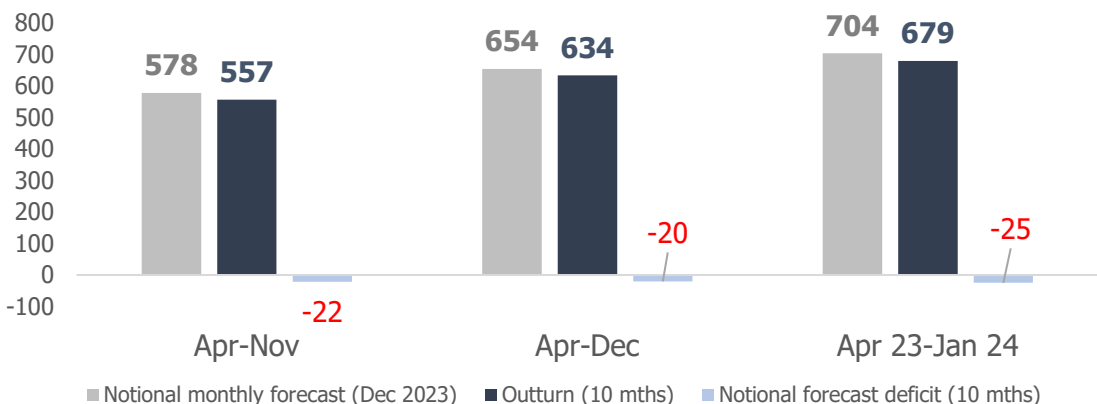
- **Robust after 9 months of outturn;** LBTT progress on annual forecast (78%) similar to SDLT progress (78%).

**LBTT 2023-24 notional forecast (December 2023) cumulative deficit breakdown by property market component**

- **LBTT revenue progress against December 2023 forecasts after 9 months of outturn shows all property market sub-sectors are behind forecast**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) is **£6m** (-2%) behind latest SFC forecast (rounded)
- ADS is **£4m** (-2%) behind latest forecast (rounded)
- Non-residential LBTT is **£5m** (-3%) behind latest SFC forecast (rounded).

Briefing/Advice for Ministers' – January 2023-24 – Tax Slide

Chart 1A: LBTT 2023-24 forecast (December 2023),  
 outturn and forecast surplus to end-January 2024 (£m)



## LBTT

### LBTT after 10 months

- Notional forecast, £704m
- Outturn, £679m
- Notional deficit = -£25m
- February data published 8 March 2024

1. **Outturn is £25m behind the latest notional in-year forecast after 10 months of 2023-24**
2. Latest published forecast £813m (Dec 2023).
3. After 10 months, outturn (£679m) was £25m (4%) behind notional 10 month forecast (£704m)
4. Deficit due to higher forecast since May 2023 (+£40m) and weaker than forecast outturn Oct-Nov 23 and Jan 24.
5. Relative to RUK Stamp Duty Land Tax (SDLT), LBTT 2023-24 outturn running slightly behind (Chart 2A).
6. Both UK Autumn Statement BGA forecast (+3%) and Scottish Budget forecasts for LBTT (+5%) revised upwards
7. Forecast net budget impact 23-24 (Dec 2023) = +£256m (which would be the most positive net position ever )

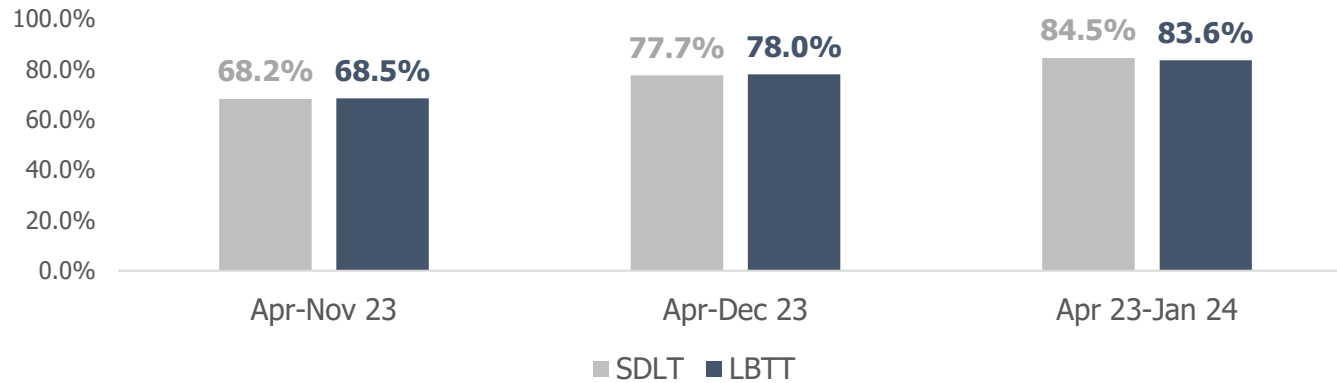
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# Robustness of relative 2023-24 outturn to date for the fully devolved taxes in Scotland and RUK

## LBTT/SDLT

Chart 2A: 2023-24 - Cumulative % of latest SDLT forecast (November 2023) and latest LBTT forecast (December 2023) declared by end-January 2024



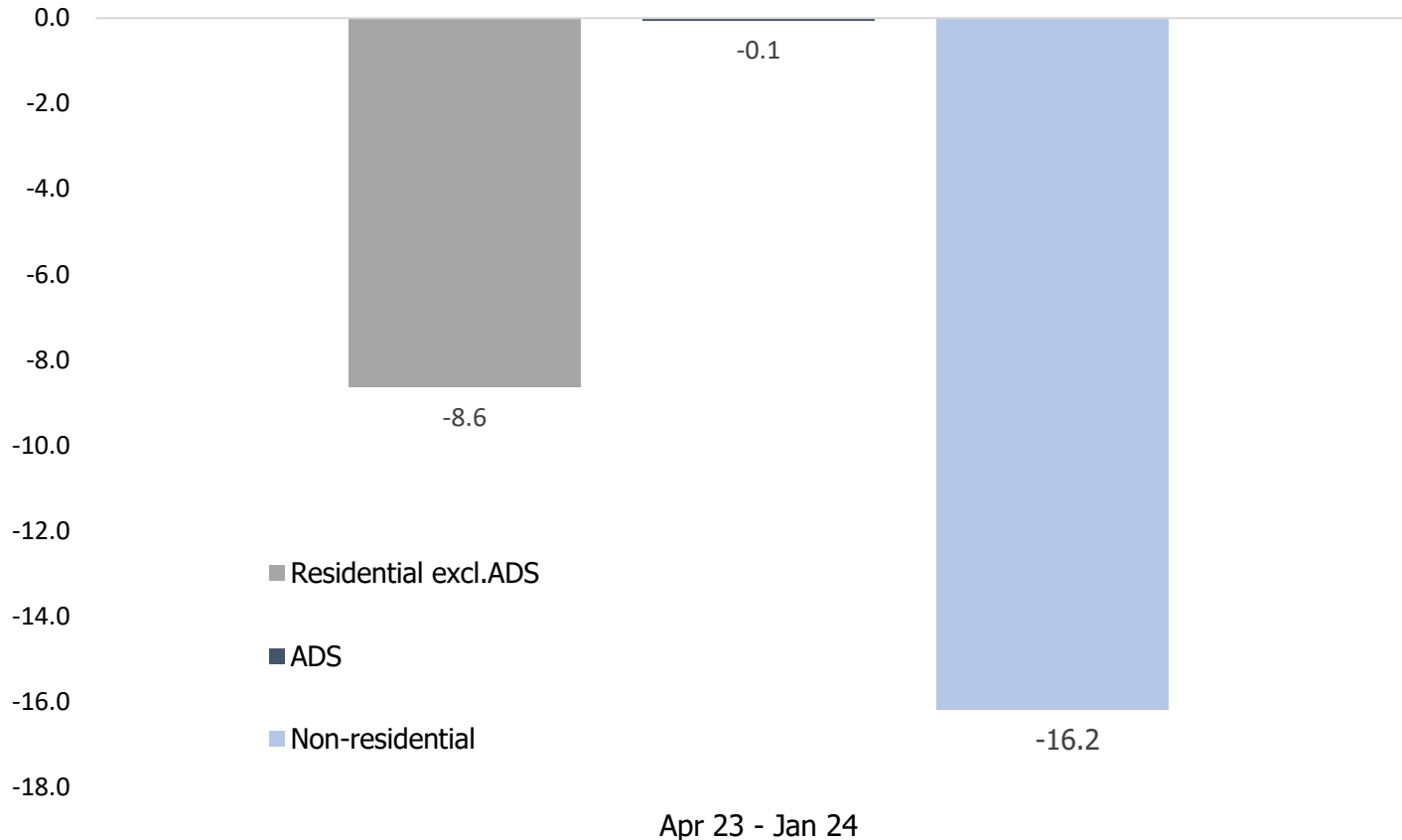
- **Robust after 10 months of outturn;** though LBTT progress on annual forecast (84%) now marginally behind SDLT progress (85%) for the first time since May 2023.

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# LBTT 2023-24 notional forecast (December 2023) to end-January 2024 deficit breakdown by property market component

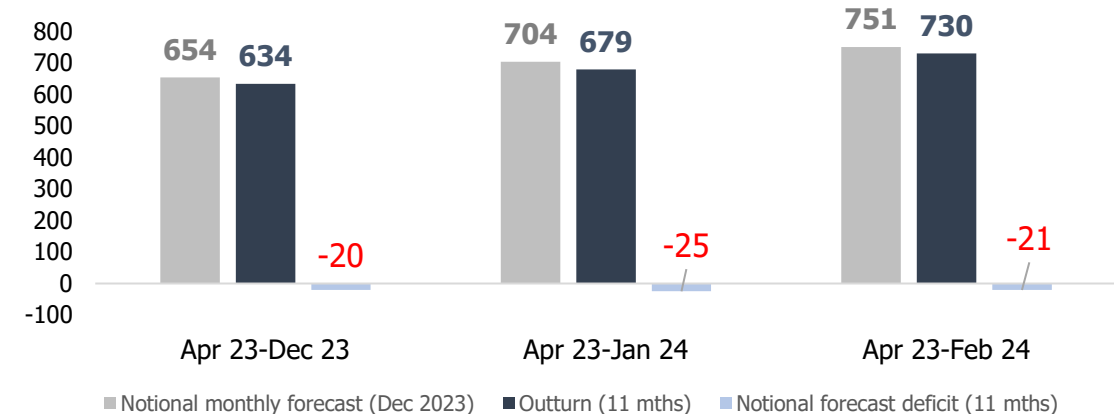
## Composition of the notional 2023-24 forecast deficit split by LBTT sub-component (£m) as at end-January 2024 (£m)



- **LBTT revenue progress after 10 months of outturn shows non-residential market revenue in particular is behind forecast**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) is **£8.6m** (-2%) behind latest SFC forecast
- ADS is **£0.1m** (-0%) behind latest forecast i.e. no meaningful shortfall
- Non-residential LBTT is **£16.2m** (-9%) behind latest SFC forecast.

Briefing/Advice for Ministers' – Feb 2023-24 – Tax Slide

**Chart 1A: LBTT 2023-24 forecast (December 2023),  
outturn and forecast surplus to end-February 2024 (£m)**



**LBTT after 11 months**

- Notional forecast, £751m
- Outturn, £730m
- Notional deficit = -£21m
- **Forecast outturn range £790m-£813m.**
- **March data (12 April 2024) will give first outturn indication**

**1. Outturn £21m behind the latest notional in-year forecast after 11 months of 2023-24**

2. Latest published forecast £813m (Dec 2023).
3. After 11 months, outturn (£730m) was £21m (3%) behind notional 11 month forecast (£751m)
4. Deficit due to higher forecast since May 2023 (+£40m) and weaker than forecast outturn in some recent months.
5. Relative to RUK Stamp Duty Land Tax (SDLT), LBTT 2023-24 outturn running slightly behind (Chart 2A).
6. Both UK Budget 2024 BGA forecast (+3%) and Scottish Budget forecasts for LBTT (+5%) revised upwards
7. Forecast net budget position 23-24 (Mar 2024) = +£279m. SFC forecast (May) will change the net position again.

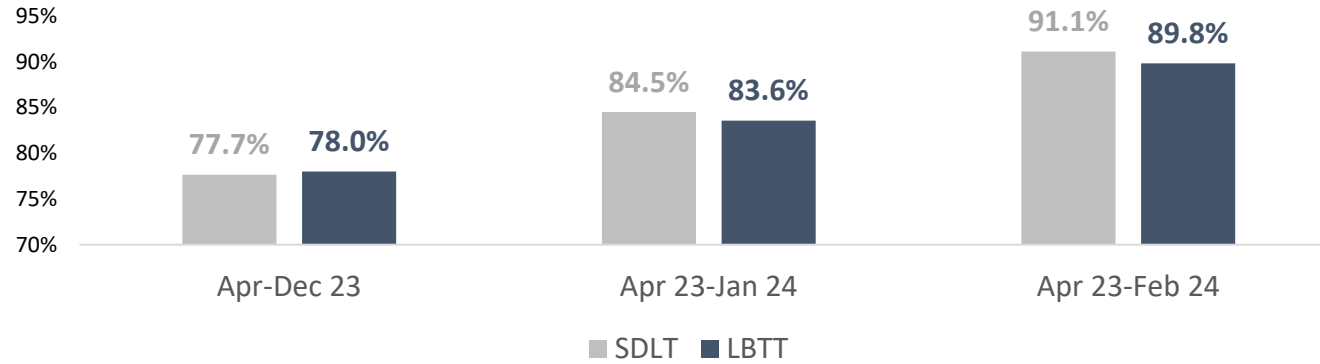
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# Relative robustness of 2023-24 outturn to date for the fully devolved taxes in Scotland and equivalents in RUK

## LBTT/SDLT

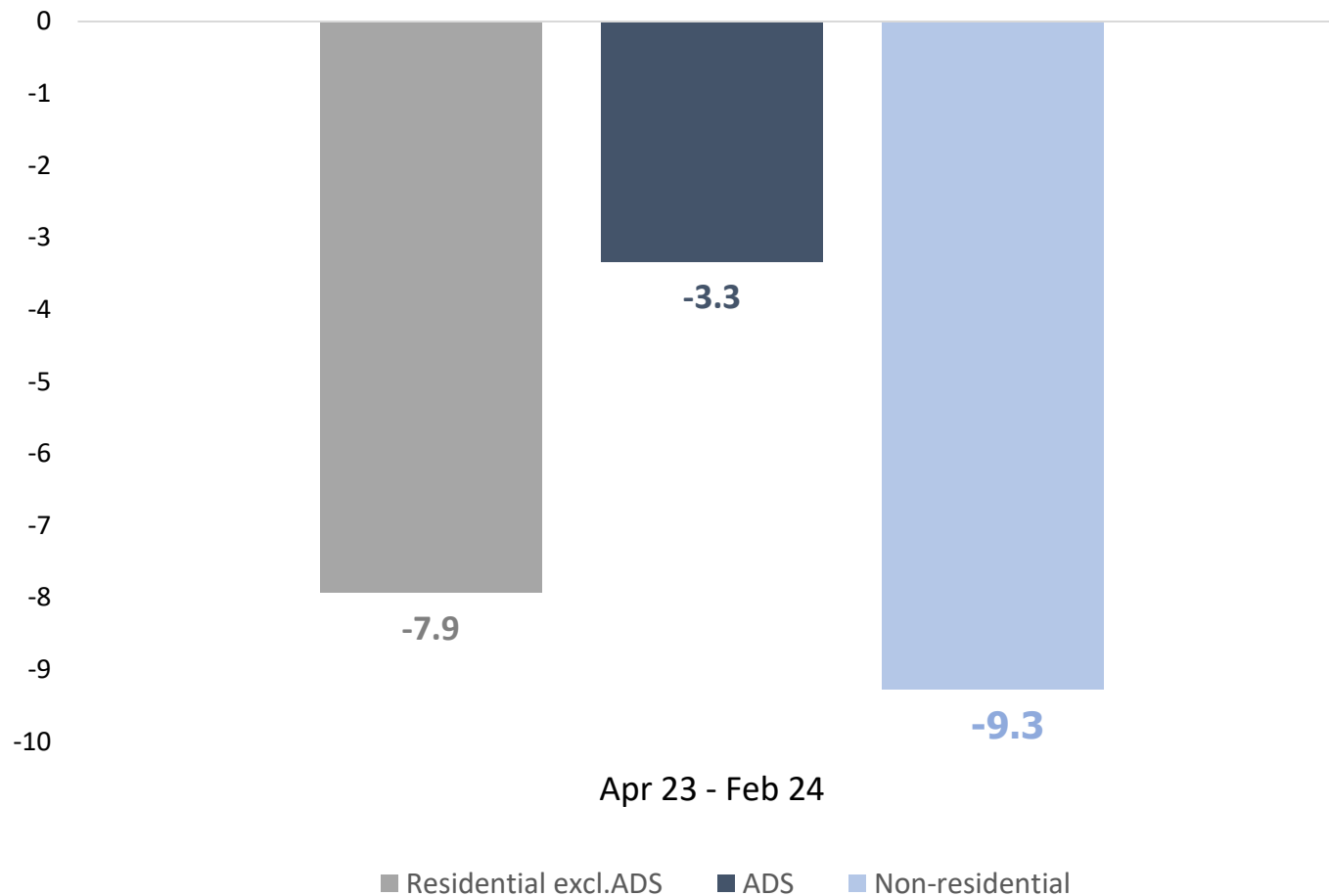
**Chart 2A: 2023-24 - Cumulative % of latest SDLT forecast (March 2024) and latest LBTT forecast (December 2023) declared by end-February 2024**



- **No significant concern after 11 months of outturn;** though LBTT progress on annual forecast (90%) now marginally behind SDLT progress (91%).

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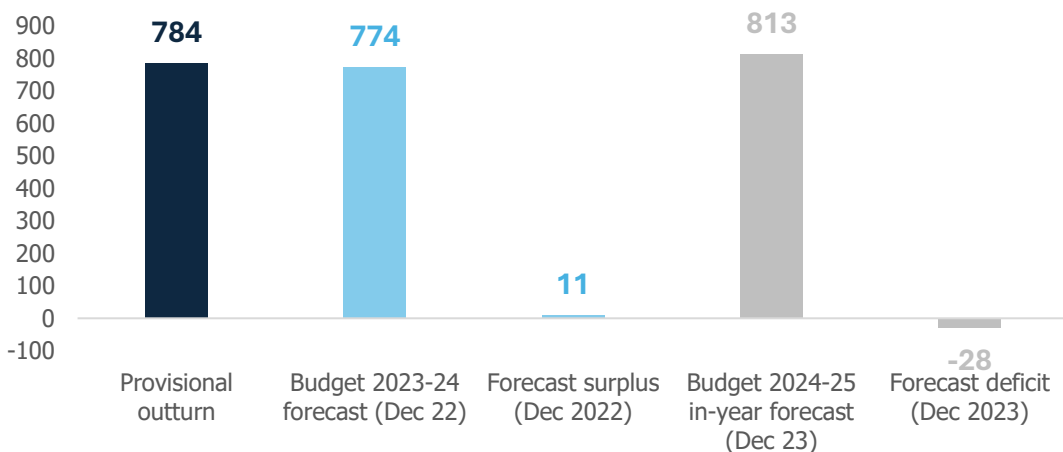
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**LBTT 2023-24 notional cumulative forecast (December 2023) to end-February 2024 deficit breakdown by property market component****Composition of the notional 2023-24 forecast deficit split by LBTT sub-component (£m) as at end-February 2024 (£m)**

- **LBTT revenue progress after 11 months of outturn shows non-residential revenues are furthest behind forecast**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) is **£7.9m** (-2%) behind latest SFC forecast
- ADS is **£3.3m** (-2%) behind latest SFC forecast.
- Non-residential LBTT is **£9.3m** (-5%) behind latest SFC forecast.

Briefing/Advice for Ministers' – March 2023-24 – Tax Slide

**Chart 1A: LBTT revenue forecasts, provisional outturn and forecast surplus/deficits, 2023-24 (£m)**



**LBTT 2023-24**

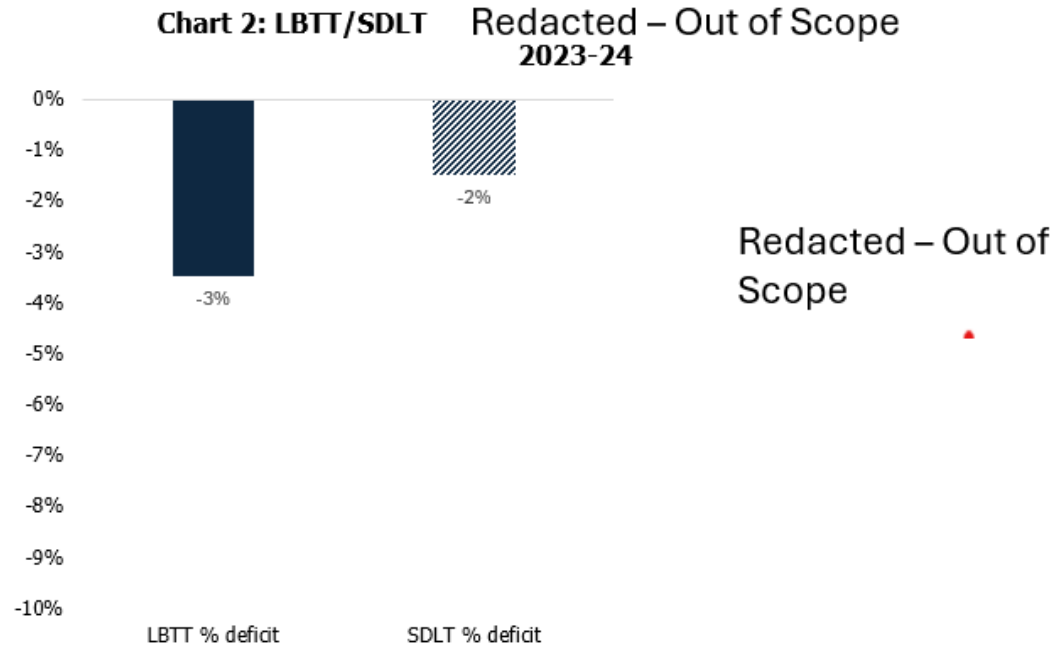
- Latest forecast = **£813m (Dec 2023)**
- **Provisional outturn = £784m**
- **Notional deficit = £28m (3%)**

- 1. Outturn £28m (3%) below latest forecast**
2. Latest published forecast £813m (Dec 2023).
3. Deficit mainly due to higher forecast since May 2023 (+£40m) and weaker than expected forecast outturn since September 2023.
4. Both UK Budget 2024 BGA forecast (+3%) and Scottish Budget forecasts for LBTT (+5%) revised upwards
5. Forecast net budget position 2023-24 (Mar 2024) = +£293m though this is now out of date.
6. The net position for LBTT will be revised at next UK or Scottish fiscal event - whenever that is.

Redacted – Out of scope

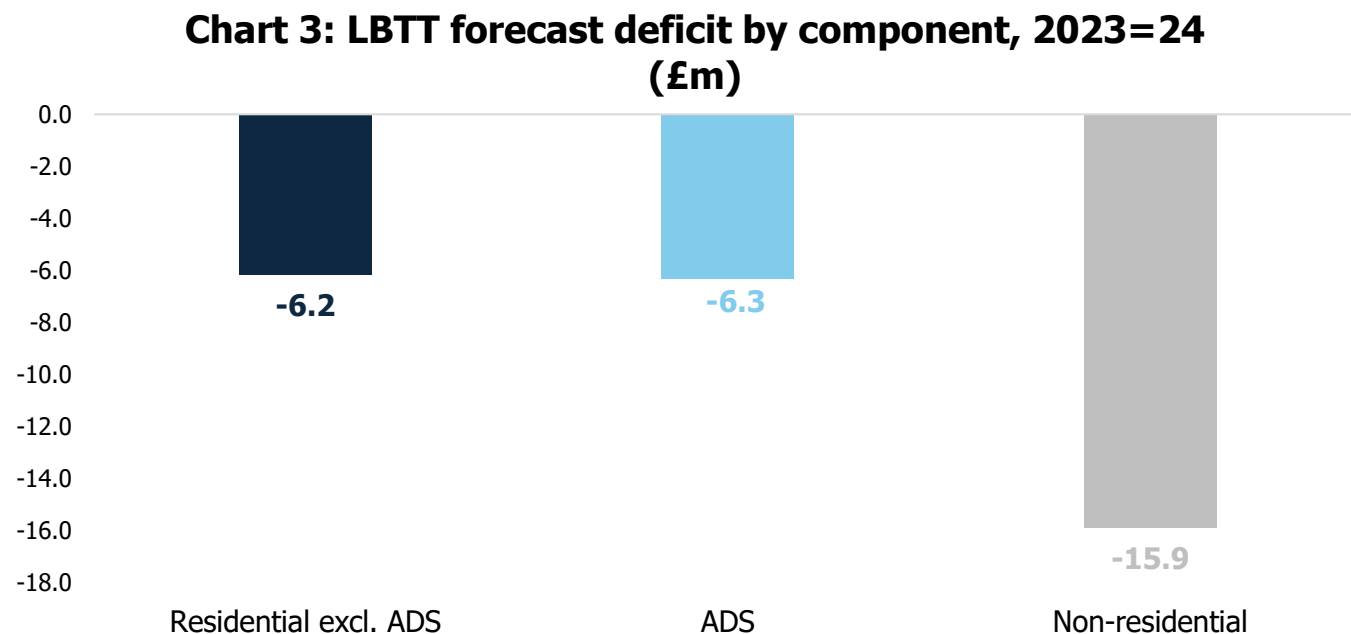
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## Forecast deficits (based on most recent forecasts and provisional outturn) for fully devolved taxes with RUK comparisons, 2023-24



- **After 12 months of outturn;** LBTT outturn fell 3% short of latest 2023-224 forecast whilst SDLT outturn fell 2% short.

Redacted – Out of Scope

**LBTT 2023-24 provisional outturn deficit compared to December 2023 forecasts by sub-component (£m)**

- **All three sub-components of LBTT fell short of forecast**
- Residential LBTT excluding Additional Dwelling Supplement (ADS) fell £6m (1%) short
- ADS fell £6m (3%) short
- Non-residential LBTT fell £16m (8%) short – the most significant deficit due to a subdued market.

## **ANNEX C**

### **Document 9: Background Notes for PQs S6W-39951, S6W-39954, S6W-35466 and S6W-14446**

#### **Background - S6W-39951 (Issued - 9 September 2025)**

1. Mr Griffin asked for “a breakdown by local authority of the number of times that Land and Buildings Transaction Tax first-time buyer (FTB) relief has been used in each year from 2021 to 2024”.
2. Although Revenue Scotland routinely publishes monthly data at all-Scotland level regarding the level of FTB relief claims, it does not normally break this down by local authority area. To allow for this question to be answered, Revenue Scotland has however arranged for the relevant information to be produced and published on its website (as of 01/09/2025).
3. The proposed response refers to the (recent) availability of this data.

[Redacted - Not in scope]

#### **Background - S6W-39954 (Issued - 9 September 2025)**

4. This question asks whether data is available on the impact of the increase in the Additional Dwelling Supplement rate for Land and Buildings Transaction Tax from 6% to 8%.
5. The proposed response notes that no specific and attributable data is available on this, but points to the publication, more generally of, ADS related data by Revenue Scotland. This answer reflects the position that it is not currently possible to separately assess the specific impact of the ADS increase relative to other (reserved) tax and wider non-tax factors which may influence ADS transactions and revenues.

[Redacted - Not in scope]

[Redacted - s.38(1)(b)]

## **ANNEX C**

### **Background - S6W-35466 (Issued 18 March 2025)**

This question from Craig Hoy MSP follows on from an earlier PQ on the LBTT Additional Dwelling Supplement, answered on 26 February. This is set out further below as context.

The specific focus of this follow-up question is on housing supply and in particular on whether any specific work has been done or commissioned by the Scottish Government to analyse the impact of:

- the non-proceeding of the Additional Dwelling Supplement transactions referred to in the previous PQ answer on supply in the private rental sector;
- each change to the Additional Dwelling Supplement and Land and Buildings Transaction Tax to the overall supply of housing units in the Scottish housing market.

The proposed answer restates the revenue and policy intent of the measure, as set out in the previous answer. In addition, it notes that no specific analysis has been done or commissioned by the Scottish Government to consider the impact of Budget tax changes on housing supply.

This reflects that, whilst the available SFC analysis considers the effect of the ADS increase (and previous changes) on transactions, no assessment has been published on their impact on specific tenures or on overall housing supply. No separate analysis has been undertaken or commissioned by the Scottish Government.

[Redacted - s.38(1)(b)]

## **ANNEX C**

### **Background - S6W-14446 (Issued 02 March 2023)**

[Redacted – Not in scope]

On 15 December 2022, the Scottish Government increase the rate of the Additional Dwelling Supplement (ADS) from 4% to 6% as part of the Scottish Budget. The increase took immediate effect, and the 6% rate was applied to all transactions from 16 December 2022 onwards. Transitional provisions applied to transactions which occurred on 15 December 2022.

Following the ADS rate increase, the Scottish Government received a moderate amount of criticism from representatives of the private rented sector and individual landlords via committee submissions, media articles, and direct correspondence. Concerns have been expressed in relation to the potential impact on the sector and availability of rental property, as existing or prospective landlords may be discouraged from purchasing property to rent.

This is Donald Cameron MSP's first parliamentary question in respect of LBTT or the ADS. However, he has previously asked one question regarding the Air Departure Tax (ADT) Highlands and Islands Working Group. He has also asked a number of questions relating to the application of tax reliefs, primarily on the creative and performing arts sectors.

This answer summarises the policy rationale for the rate increase and provides further context for the change in relation to the private rented sector.

[Redacted - s.38(1)(b)]

## ANNEX D

### 10. Ministerial Engagement Briefing: Minister for Public Finance, Planning & Community Wealth - Finance and Public Administration Committee Consideration of The Land and Buildings Transaction Tax (Additional Amount: Transactions Relating to Second Homes Etc.) Amendment Order 2022 – 17 January 2023

<b>Where:</b>	Scottish Parliament, Finance and Public Administration Committee	
<b>When:</b>	17 January 2023 09:30-10:30	
<b>Supporting Officials:</b>	[Redacted - s.38(1)(b)] Tax Division - Tel: [Redacted - s.38(1)(b)]	
[Redacted - s.38(1)(b)]	[Redacted - s.38(1)(b)]	[Redacted - s.38(1)(b)]

## ANNEX A: OVERVIEW OF INSTRUMENT

You have been invited to attend the Finance and Public Administration Committee (FPAC) to give evidence on the Land and Buildings Transaction Tax (Additional Amount: Transactions Relating to Second homes etc.) Amendment order 2022.

This is a provisional affirmative SSI, which came into force on Friday 16 December 2022, having been made and laid in the Scottish Parliament on 15 December 2022.

In accordance with the provisions of the Land and Buildings Transaction Tax (Scotland) Act 2013, changes to rates and bands are made by way of a provisional affirmative Order. These have immediate effect, but can only remain in force if approved by the Scottish Parliament within 28 days of the date that they are made. In this instance, the Order must be approved no later than 27 January 2023.

The Order amends paragraph 4(2) of Schedule 2A (Additional Amount: Second Homes), substituting 6% for 4% in relation to the LBTT Additional Dwelling Supplement.

This provides for the increase in the ADS rate from 4% to 6% announced as part of the Scottish Budget. The increase will support first-time buyers and home movers, helping them compete with buy-to-let investors or those buying second homes.

The Order sets out transitional provisions such that changes will not apply to transactions where the contract (missives) was entered into prior to 16 December 2022. The rationale for this is that taxpayers who entered into a contract at that time would not have been able to factor the revised rates and bands into their decision making process.

## ANNEX D

The amendment raises vital revenue to support Scotland's national priorities, with the SFC estimating that the increase will result in additional LBTT revenue of £34m in 2023-24.

The Scottish Fiscal Commission set out a judgement in its' December report that in 2023-24, 50% of any loss in ADS transactions will be replaced by home mover and first time buyer transactions, increasing to 75% from 2024-25 onwards (see **Annex F** for more detail).

### Key issues

The Order has attracted negative criticism from stakeholders in three key areas which we expect will be the main focus of questions from the Committee:

#### Impact on Private Rented Sector investment

Stakeholders have raised concerns about the impact of a rate increase on the PRS, and the combined effect of this and other regulations (e.g. the Cost of Living (Tenant Protection) (Scotland) Act 2022) potentially acting as a disincentive to expand, or enter, the sector.

The SFC were asked about the behavioural effect of the ADS change at FPAC on 20 December 2022, namely whether these took account of recent regulations affecting the PRS. The SFC undertook to write to the committee on this point. We understand that this has been sent to the Committee but has not yet been published.

At FPAC on 10 January 2022, the DFM was asked if modelling had been carried out to determine the impact of private landlords leaving the sector as a result of this and other changes affecting the PRS. DFM noted that the ADS can act as a disincentive in some cases but the overarching policy objective is to support opportunities for first-time buyers and home movers.

A breakdown of the elements of the SFC's behavioural costing is set out in **Annex F**.

[Redacted – not in scope]

## ANNEX E – FIGURES AND FORECASTS

### Scottish Fiscal Commission is responsible for forecasting the revenue impacts of LBTT policies, including the increase to the ADS rate.

- The Scottish Fiscal Commission operates independently from the Scottish Government, providing the independent and official forecasts of the Scottish economy, devolved taxes and devolved social security spending.
- The SFC's approach was set out in its December 2022 publication.
- For the ADS increase, the policy costing includes the effect of ADS transactions no longer taking place as a result of this change, and the associated reduction in core LBTT revenues because of that.

## ANNEX D

- However, the SFC also forecast an increase in revenue in 23-24 as around 50% of ‘lost’ ADS transactions will be absorbed by first-time buyers and home movers in the core residential market.
- All of these factors taken together result in additional revenue of £34m in 2023-24.
- Commissioners undertook to write to the Committee to provide more information on the assumptions they have made at the session on 20 December.

### *[Background – costing breakdown]*

- For ADS transactions, pre-behavioural revenue is estimated to be £67m.
- This figure is then reduced by the behavioural effect (i.e. ADS transactions no longer taking place) of -£26m resulting in net ADS revenues of £40m.
- However, the change will also impact on core residential LBTT which applies to transactions liable to the ADS.
- The SFC estimate an associated reduction in LBTT revenues of £12m, however, the SFC suggest that 50% of ‘lost’ ADS transactions will instead be absorbed by first-time buyers and home movers in the core residential market.
- The net reduction in LBTT revenue is therefore £6m after accounting for this behavioural response.
- Taking all of these factors into account, the change is expected to raise additional revenue of £34m in 2023-24.

### **Costing breakdown**

Pre-behavioural ADS costing	£67m
Behavioural effect (lost ADS transactions)	(£26m)
Net ADS costing	£40m
Pre-behavioural LBTT costing (lost ADS transactions)	(£12m)
Behavioural effect (increase in core LBTT transactions)	£6m
Net core LBTT effect	(£6m)
<b>Total Costing (anticipated revenue 23-24)</b>	<b>£34m</b>

[Redacted – not in scope]

## ANNEX F: STAKEHOLDER REACTION

### Private rented sector

#### **Institute for Fiscal Studies – 15 December 2022**

*“LBTT is one of the most damaging taxes - preventing mutually beneficial transactions, and reducing geographic mobility. It should be reduced and preferably abolished, and so it is disappointing to see further increases in this tax, which in this case will further penalise the rental sector relative to the owner-occupied sector.”*

## **ANNEX D**

### **PropertyMark – 16 December 2022**

*“Our Propertymark members in Scotland already tell us of the plummeting desire for landlords to remain in the sector with 68 per cent of letting agents reporting an increase in notices to sell due to ongoing legislative changes. Therefore, it is disappointing to see the blatant disregard for the importance of incentivising investment in the private rented sector by raising the Additional Dwelling Supplement from four per cent to six per cent for additional homes.*

*“The private rented sector is a key solution to resolve the housing crisis but if the Scottish Government continue with policies that disincentive landlords this will only make the situation worse.”*

### **Scottish Association of Landlords – 19 December 2022**

*“In conjunction with other anti-landlord policies announced by the Scottish Government in recent years, this change to LBTT ADS will inevitably result in a further reduction in the number of properties in the private rented sector, putting upward pressure on rents and reducing availability and choice for tenants.”*

### **Brodies – 15 December 2022**

*“In what was something of a surprise, there was a 50% increase in the additional dwelling supplement (ADS) element of land and buildings transaction tax (LBTT), from 4% to 6%. This change comes into almost immediate effect, being charged on transactions settling on or after 16 December 2022, unless a contract has been concluded for the transaction prior to that date.*

*[...]*

*A major consultation on possible reforms to various aspects of ADS took place in late 2021/early 2022 following the 2022-23 Budget. It has now been announced that early in 2023, the Scottish Government will publish a response to that consultation and launch a further consultation on resulting draft legislation.”*

### **Local Authorities**

**COSLA** have indicated that a number of councils are unhappy with the rate change.

**Highland Council** – *“The initial ADS of 4% heavily impacted on our service and so the 6% in our opinion for the Local Government is shocking.”*

**ALACHO** have noted that the imposition of the ADS on council acquisitions more broadly is ‘unfair’ and ‘unhelpful’.

### **ADS Review**

A number of general queries have been received regarding when SG will progress the ADS review, post-Budget.

## **ANNEX D**

### **General correspondence**

Officials have received a number of queries from taxpayers on the rate change. The majority have been received from private landlords reiterating the broader stakeholder views set out above.

[Redacted -Not in scope]

## ANNEX D

### 11. Ministerial Engagement Briefing: Cabinet Secretary for Finance and Local Government - Sunday Show 8 December 2024 – 8 December 2024

#### Summary

1. The ADS rate has increased from 6% to 8% with effect from 5 December 2024. Transitional provisions will apply the previous 6% rate where contracts for a property transaction were entered into on or before 4 December 2024.
2. As the average time between conclusion of missives (the contract) and completion of a sale is 6 to 8 weeks, the SFC assume that all ADS-liable transactions until 31 January 2025 will pay the 6% rate.
3. The SFC also expect that over time the majority (50% in 25-26 and 75% in future years) of 'lost' ADS transactions – primarily by second-home, buy-to-let or company purchasers - will be absorbed by first-time buyers and other main market transactions.

[Redacted – Not in scope]

#### Key facts and figures

4. The ADS is due in several scenarios including buy-to-let purchases, home-movers who buy a new home before selling their previous property, and buyers purchasing a second home.
5. In 2023/24, 21,000 transactions were liable to the ADS and a repayment of the ADS has thus far been claimed for 2,500 (12%) of transactions.
6. The ADS repayment window now extends to 36 months post-transaction so while further reclaims may be made by home-movers at a later date, we assume that most transactions liable to the ADS who do not subsequently reclaim represent buy-to-let investment properties with a small proportion representing second homes and buyers facing 'exceptional circumstances' such as the purchase of a property to house a disabled family member.
7. It is not possible to assess the extent to which increased ADS rates prevent a landlord from purchasing a property, particularly in the context of other regulations applicable to the sector and the wider uncertainty in the housing market due to increased mortgage rates and broader cost-of-living pressures.
8. No specific analysis has been undertaken on the impact of the December 2022 increase to 6%. Latest available data does, however, show that ADS liable transactions reduced by 14% between 2022/23 and 2023/24. By way of comparison, 'core' residential transactions reduced by 9% in that same period.
9. While LBTT ADS transactions have a higher overall tax rate than for SDLT HRAD transactions, average property prices in Scotland remain around £110,000 lower than in England (September 2024 HPI: £198k vs £308k).

[Redacted – Not in scope]

## ANNEX D

### 12. Ministerial Engagement Briefing: Minister for Public Finance - Finance and Public Administration Committee Consideration - 7 January 2025

#### FINANCE AND PUBLIC ADMINISTRATION COMMITTEE CONSIDERATION OF THE LAND AND BUILDINGS TRANSACTION TAX (ADDITIONAL AMOUNT: TRANSACTIONS RELATING TO SECOND HOMES ETC.) AMENDMENT ORDER 2024

<b>Where:</b>	Scottish Parliament, Finance and Public Administration Committee	
<b>When:</b>	7 January 2025 9.30-11am	
<b>Supporting Officials:</b>	[Redacted - s.38(1)(b)], Tax Division - Tel: [Redacted - s.38(1)(b)]	
[Redacted – not in scope]	[Redacted – not in scope]	[Redacted – not in scope]

#### ANNEX A: OVERVIEW OF INSTRUMENT

You have been invited to attend the Finance and Public Administration Committee (FPAC) to give evidence on the Land and Buildings Transaction Tax (Additional Amount: Transactions Relating to Second homes etc.) Amendment order 2024.

This is a provisional affirmative SSI, which came into force on Thursday 5 December 2024, having been made and laid in the Scottish Parliament on 4 December 2024.

[Redacted – not in scope]

#### Key issues

Key lines and a Q&A on potential issues for the Amendment Order are included in the pack in **Annex C**. General LBTT lines are set out in **Annex D**.

The Order has attracted negative criticism from stakeholders in the private rented sector which we expect will be the main focus of questions from the Committee.

Stakeholders have raised concerns about the impact of a rate increase on the PRS, and the combined effect of this and other regulations (e.g. the Cost of Living (Tenant Protection) (Scotland) Act 2022) potentially acting as a disincentive to expand, or enter, the sector.

[Redacted – not in scope]

## ANNEX D

### POLICY INTENT

#### **Increasing the ADS rate to 8% from 5 December provides much needed revenue to support our national priorities and protects opportunities for first time buyers and home movers.**

- Increasing the ADS is forecast by the SFC to raise an additional £32m in 2025-26, with ADS forecast to raise £258m in total.
- This rate increase protects opportunities for first-time buyers and home movers, helping them more fully compete with buy-to-let investors or those buying second homes.
- Those paying the ADS will pay an additional £8,000 in tax for every £100,000 of chargeable consideration compared to others.
- The SFC expects over time that three quarters of any loss of ADS transactions will be replaced by first-time buyers and home mover transactions.
- These transactions generate £7m of the forecast net £32m of additional revenue from the change in 24-25. Arrangements providing for a repayment of the ADS following the sale of a previous main residence will continue to apply.

**QUOTE – SFC document:** *“We assume the rest of the market is in a position to absorb most of the ‘lost’ ADS-liable transactions. We assume that 50 per cent of the transactions lost from ADS will be absorbed by home-movers and first-time buyers in the first year of this policy, a figure that we expect to increase to 75 per cent from 2026-27 onwards. The behavioural response in Figure A.13 represents this expectation.”* (Scotland’s Economic and Fiscal Forecast December 2024)

#### **Increase will apply to a number of different buyers, not just second homeowners**

- The ADS is payable in around 22% of transactions - around 21,000 of all residential transactions in 2023-24.
- It is not possible to identify from the LBTT return the purposes for which a transaction occurs. However, buyers liable to the ADS will include purchasers of second homes, homes for private rent or short term let, and all purchases by businesses.
- The ADS will also apply where a new home is purchased before the old property is sold, but here the ADS can subsequently be reclaimed where relevant conditions are met within 36 months.

### RATIONALE FOR IMMEDIATE INTRODUCTION.

#### **Introduction of changes with near-immediate effect now established practice**

- LBTT (Scotland) Act 2013 provides that changes to the rate of the ADS are made through a provisional affirmative Order.
- This has immediate effect but must be approved by the Scottish Parliament within a 28-day period to remain in effect.
- Introducing with near immediate effect addresses the potential for forestalling, which would otherwise be expected to reduce revenue next year.

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### **Increase will not apply to transactions where legal missives are concluded on or before Budget Day, regardless of effective date.**

- Although the new rate will apply from 5 December 2024 onward, taxpayers who have entered a legal contract to purchase a property on or before Budget Day will pay the previous rate of 6%.
- This approach recognises the importance of certainty – those buyers entering into contracts before the Budget announcement would not have factored the tax changes into their decision-making process.
- The SFC assumes that, given the length of time between missives being signed and the effective date of a transaction, the higher rate will not begin to be paid until February.

[Redacted – not in scope]

## EXCEPTIONAL CIRCUMSTANCES

### **Changes introduced in April 2024 following extensive consultation addressed key taxpayer and stakeholder concerns with ADS arrangements**

- Amendments included extended repayment timelines from 18 to 36 months and extending the relief available to local authorities purchasing affordable properties to meet local housing needs.
- We understand however that difficult circumstances can arise in relation to the ADS, and will explore the impact of the ADS where exceptional circumstances or events occur as part of the recently announced review of LBTT.

## IMPACT ON HOME-MOVERS

### **There is no evidence that the introduction of the supplement has had any impact on people's decision to move home.**

- Arrangements allowing for the ADS to be reclaimed once a previous main residence has been replaced will continue. Following extensive engagement and consultation, earlier this year we doubled the time within which buyers can sell a previous main residence to 36 months.
- We will of course continue to monitor very carefully all available data regarding the impact of ADS on the housing market.

[Redacted – Not in scope]

## FIRST TIME BUYER RELIEF

### **The First-Time Buyer Relief remains available, complementing our progressive rates and bands.**

- The relief, which increases the nil rate band from £145,000 to £175,000, saves first-time buyers up to £600 in tax.
- Over 80,000 first-time buyers have benefited from this relief since it was introduced in 2018.
- The availability of the relief means that all first-time buyers paying £175,000 or less for a property will pay no tax at all. *[average first-time buyer property in Scotland = £159,444, September 2024]*

## ANNEX D

### LBTT REVIEW

#### **The review we have announced will be wide-ranging and consider both residential and non-residential policy.**

- It will ensure, 10 years after introduction, that the tax continues to meet its policy intent and take account of developments since LBTT was introduced and policy areas which differ from comparative taxes elsewhere in the UK.
- We expect the review to conclude in early 2026. Given that timetable, any legislative changes which may be identified as part of that review will be a matter for the next Parliament to consider.
- We look forward to engaging extensively with taxpayers and stakeholders at every stage of the review process.

[Redacted – Not in scope]

### ADS

- The ADS was increased from 6% to 8% with effect from 5 December 2024; it will not however apply to transactions where contracts were agreed on or before the day of the Scottish Budget.
- The SSI providing for the increase must be approved by the Parliament by 17 January 2025 in order for the increase to remain in force.
- The SFC forecasts that the increase will raise an additional £32m in 2025-26, with ADS forecast to raise £258m in total. This includes the SFC's assumptions about the behavioural effect of the measure, both in terms of the transactions which do not proceed and those which replace them.
- The SFC expects over time that three quarters (50% in 2025-26) of any loss of ADS transactions will be replaced by first-time buyers and home mover transactions.
- The ADS is payable in around 22% of transactions - around 21,000 of all residential transactions in 2023-24.
- The latest available statistics indicate that around 19% of those paying the ADS intend to reclaim it.

#### **Scottish Fiscal Commission is responsible for forecasting the revenue impacts of LBTT policies, including the increase to the ADS rate.**

- The Scottish Fiscal Commission operates independently from the Scottish Government, providing the independent and official forecasts of the Scottish economy, devolved taxes and devolved social security spending.
- The SFC's approach to costing this policy was set out in its December 2024 publication.
- For the ADS increase, the policy costing includes the effect of ADS transactions no longer taking place as a result of this change, and the associated reduction in core LBTT revenues because of that.
- However, the SFC also forecast an increase in revenue in 25-26 as around 75% of 'lost' ADS transactions will be absorbed by first-time buyers and home movers in the core residential market.

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- All of these factors taken together result in additional revenue of £32m in 2025-26.

### *[Background – costing breakdown]*

- For ADS transactions, pre-behavioural revenue is estimated to be £87m.
- This figure is then reduced by the behavioural effect (i.e. ADS transactions no longer taking place) of -£48m resulting in net ADS revenues of £40m.
- However, the change will also impact on core residential LBTT which applies to transactions liable to the ADS.
- The SFC estimate an associated reduction in LBTT revenues of £12m, however, the SFC suggest that 50% of ‘lost’ ADS transactions will instead be absorbed by first-time buyers and home movers in the core residential market.
- The net reduction in LBTT revenue is therefore £6m after accounting for this behavioural response.
- Taking all of these factors into account, the change is expected to raise additional revenue of £32m in 2024-25.

### **Costing breakdown**

Pre-behavioural ADS costing	£87m
Behavioural effect (lost ADS transactions)	(£48m)
Net ADS costing	£39m
Pre-behavioural LBTT costing (lost ADS transactions)	(£13m)
Behavioural effect (increase in core LBTT transactions)	£7m
Net core LBTT effect	(£7m)
<b>Total Costing (anticipated revenue 25-26)</b>	<b>£32m</b>

[Redacted – Not in scope]

## ANNEX F: STAKEHOLDER REACTION

### Private rented sector

#### **PropertyMark – 04 December 2024**

Timothy Douglas, head of policy and campaigns:

*“With huge demand for private rented property and long-term rent control measures contained in the Housing Bill, the Scottish Government’s decision to raise Additional Dwelling Supplement under Land and Buildings Transaction Tax from six to eight per cent is quite simply wrong and out of touch with the housing needs of Scotland. The decision leaves Scotland as the most expensive place in the UK to rent out a property and will further discourage new landlords to take on much needed private rented property to let.*

*“Whilst PropertyMark has long called for a review of Land and Buildings Transaction Tax, and the Scottish Government has now committed to do this through the Budget, ultimately with between tenancy rent caps planned and impending minimum energy*

## **ANNEX D**

*efficiency rules for private rented property, raising yet more taxes on the private rented sector will do nothing to tackle the housing emergency and only raise rents further and put the burden of these costs on tenants.”*

### **Scottish Association of Landlords – 05 December 2024**

*SAL chief executive John Blackwood: “Despite the Scottish Government admitting Scotland is in the midst of a housing emergency, they now go and deal another blow to landlord investors by increasing Additional Dwelling Supplement (ADS) from 6% to 8%.*

*“Instead of encouraging new investment, they seem to be going out of their way to deter investors from buying from the many landlords who have had enough and are opting to sell.*

*“Recently the UK Government in the Autumn Budget decided to increase a similar tax south of the border. Following suit, the Scottish Government is clearly signalling to the market they are not interested in new investment in Scotland.”*

### **General correspondence**

Officials have received a number of queries from taxpayers on the rate change. These focused mainly on the immediate introduction of the rate increase, with correspondents viewing this as an unfair approach.

[Redacted – not in scope]

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### **13. Ministerial Submission: Cabinet Secretary for Finance and Local Government Approaches to a review of LBTT - 15 November 2024**

Directorate of Tax and Revenues  
15 November 2024

#### **Cabinet Secretary for Finance and Local Government**

#### **Land and Buildings Transaction Tax – Proposals for Review**

##### **Priority and Purpose**

1. [Redacted – Not in scope]

##### **Recommendation**

2. Recommends that you agree with the proposed approach to a review of LBTT set out in this advice.

##### **Context and Issues**

3. You have agreed for a commitment to be made in the forthcoming tax strategy publication to evaluate certain aspects of LBTT policy. This submission sets out the rationale for that review in more detail, and our proposed approach.
4. LBTT came into effect on 1 April 2015 and the legislative framework works well in the vast majority of cases. Since introduction, however, stakeholders have raised a number of issues with the operation of the legislation, with solutions ranging from minor amendments to more fundamental changes in legislation.
5. Internal issues have also been identified by both Revenue Scotland and Scottish Government officials, and there are a number of areas where LBTT now diverges from SDLT and LTT due to changes introduced in the rest of the UK since 2015. This includes for example, the arrangements in place for Multiple Dwellings Relief and the availability of Investment Reliefs in certain circumstances.
6. More broadly, the housing market has been subject to a number of disruptions since the tax was introduced, including Covid and the ongoing cost of living crisis.
7. We are therefore of the view that there is a strong case to launch a review of LBTT in 2025 to ensure the tax works as intended, and, to inform and recommend amendments to be taken forward for those areas which do not. We intend for the initial review to take place over the remainder of the current parliamentary term, with any required changes being taken forward in the next parliamentary term.
8. A review will help us to identify any areas where the legislation requires refinement to link more clearly with the policy intent, or no longer works as

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intended, and will give stakeholders the opportunity to share their views on these issues.

9. For completeness, officials are not proposing that a review will address rates and bands in place for LBTT, particularly given the market uncertainty that this could create. Rather, it would include a number of specific areas of policy, which require detailed consideration over an extended period and in the round. [Redacted – s.29(1)(a).]

10. [Redacted – Not in scope]

### **Proposed Approach**

11. [Redacted – Not in scope]

### **Matters for the next parliament**

12. [Redacted – Not in scope]

### **Assessment of Options**

13. As well as evaluating whether LBTT legislation as a whole meets its initial policy intent and works as intended, it will look to delve deeper into specific issues including first time buyers relief, multiple dwellings relief and the three year lease review process. We will seek input from a broad range of taxpayers including technical taxation specialists, key legal and accountancy stakeholders, businesses and individual taxpayers.

[Redacted – Not in scope]

### **Contribution to the Government's Four Priorities**

[Redacted – Not in scope]

### **Risks to Delivery**

[Redacted – Not in scope]

### **Verity House Agreement Implications**

[Redacted – Not in scope]

### **Financial Considerations**

[Redacted – Not in scope]

### **Legal Considerations**

[Redacted – Not in scope]

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### New Deal for Business Implications

[Redacted – Not in scope]

### Sensitivities

[Redacted – Not in scope]

### Quality Assurance

[Redacted – Not in scope]

### Conclusion and next Steps

We invite you to:

- i. Agree with our proposed approach to a review of LBTT
- ii. Agree for us to explore the possibility of this review being carried out by external parties

[Redacted - s.38(1)(b)]

Directorate of Tax and Revenues

<b>Cabinet Secretaries and Ministers Copy List</b>	<b>For Action</b>	<b>For Information Portfolio interest</b>	<b>For Information Constituency interest</b>	<b>For Information General awareness</b>

#### Officials Copy List

DG Scottish Exchequer  
Chief Executive, Revenue Scotland  
Director for Tax  
Colin MacBean – Deputy Director – Tax and Revenues  
Lorraine King – Deputy Director – Tax and Revenues  
[Redacted - s.38(1)(b)] - Tax  
[Redacted - s.38(1)(b)] – Tax  
[Redacted - s.38(1)(b)]– SGLD  
David Hutchison – Special Adviser

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### **Annex A – Proposed issues for review**

[Redacted – s.29(1)(a)]

[Redacted – Not in scope]

**14. Ministerial Submission: Cabinet Secretary for Finance and Local Government – A Review of Land and Buildings Transaction Tax – 7 April 2025**

**Directorate of Tax and Revenues  
7 April 2025**

**Cabinet Secretary for Finance and Local Government**

**Land and Buildings Transaction Tax – A Review of Land and Buildings Transaction Tax – Progress Update – April 2025.**

**Priority and Purpose**

[Redacted – Not in scope]

**Recommendation**

1. Recommends that you agree with the proposed approach to a review of LBTT set out in this advice.

**Background**

2. On 22 November 2024, you agreed to the proposed approach for the LBTT review, which included exploring the outsourcing the review. The review was announced in both the December Budget and Tax Strategy, with a planned launch in spring 2025.

3. As the November 2024 submission noted, outsourcing offers the greatest levels of audience reach, maximising the potential for tangible results and recommendations to be taken forward by the next Parliament.

4. The particular elements to be outsourced (see **Annex A**) include those areas where equivalent UK and Welsh Government policy diverges from the LBTT approach, or where data gaps are preventing us from fully assessing whether the LBTT framework properly reflects the economic reality of the residential and non-residential property markets and taxpayer activity within those markets.

5. We intend to outsource the evaluation of these aspects to researchers with the necessary expertise and industry connections to generate meaningful data which will help us inform future policy decisions. [Redacted - s.29(1)(a)]

6. This will allow us to ensure that officials have a complete picture of the impact of each of these policy areas, whether or not the policy works as intended, or whether changes are needed to the LBTT framework [Redacted - s.29(1)(a)]

7. [Redacted – Not in scope].

### **Progress since Scottish Budget Announcement**

8. [Redacted – Not in scope]

### **Financial Considerations**

9. [Redacted – Not in scope]

### **Contribution to the Government's Four Priorities**

10. [Redacted – Not in scope]

### **Risks to Delivery**

11. [Redacted – Not in scope]

### **Verity House Agreement Implications**

12. [Redacted – Not in scope]

### **Legal Considerations**

13. [Redacted – Not in scope]

### **New Deal for Business Implications**

14. [Redacted – Not in scope]

### **Sensitivities**

15. [Redacted – Not in scope]

### **Next Steps**

16. [Redacted – Not in scope]

### **Quality Assurance**

17. [Redacted – Not in scope]

### **Conclusion**

18. You are asked to agree to the proposed approach.

[Redacted - s.38(1)(b)]

### **Fully Devolved Taxes**

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<b>Cabinet Secretaries and Ministers Copy List</b>	<b>For Action</b>	<b>For Information Portfolio interest</b>	<b>For Information Constituency interest</b>	<b>For Information General awareness</b>

<b>Officials Copy List</b>
<p>DG Scottish Exchequer            Chief Executive, Revenue Scotland            Director for Tax            Colin MacBean – Deputy Director – Tax and Revenues            Lorraine King – Deputy Director – Tax and Revenues            [Redacted - s.38(1)(b)] – Tax            [Redacted - s.38(1)(b)] - Tax            [Redacted - s.38(1)(b)] – SGLD            David Hutchison – Special Adviser</p>

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## **Annex A**

### **Strand 1 – Externally Commissioned**

#### Proposed approach

This work strand will be led by externally appointed researchers, via the SG procurement process. Up to £100,000 is ringfenced in 2025-26 to support this work.

The areas under consideration meet some or all of the following criteria:

- LBTT policy diverges from the position elsewhere in the UK.
- Data gaps are preventing us from assessing the impact of the policy.
- The policies have been in place for some time and a full evaluation has yet to be undertaken.
- There is a need to explore the role of LBTT in the context of wider SG policy.

In the interests of complete transparency, we will consider ‘exceptional circumstances’ within each strand of the review.

We expect that the majority of work undertaken will be desk-based research supplemented by stakeholder engagement and consultation.

	<b>Residential/Non-Residential</b>	<b>Multiple Dwellings Relief</b>	<b>Treatment of 6 or more properties purchased in a single transaction</b>	<b>First-Time Buyers</b>	<b>Exceptional Circumstances</b>	<b>Interaction of LBTT and Net Zero Ambitions</b>
<b>Summary</b>	The LBTT Act treats transactions with any non-residential element, no matter the proportion, as a wholly non-residential transaction. The review will explore alternative approaches.	Multiple Dwellings Relief is intended to support investment in the residential and private rented sectors.  MDR under SDLT was abolished in June 2024. Under LTT, arrangements were amended in December 2024 to allow a claim for either MDR or a subsidiary dwelling exemption, but not both.  The review will explore the impact of MDR in Scotland and its	The '6+' exemption is intended to support larger scale investment in the residential and private rented sectors.  The effect of the exemption is to treat 6 or more properties as non-residential properties, with the non-residential rates subsequently applying.  The review will explore the impact of this exemption.	First-time buyers relief was introduced in 2018 and has remained unchanged since.  LBTT arrangements differ from both SDLT (with a much higher value ceiling and an upper cap applied) and LTT (no FTB relief available due to a much more generous nil rate band).  The review will consider the impact of the relief.	Taxpayers and stakeholders have called for a discretionary provision which would allow ADS to be disapplied where difficult or exceptional circumstances apply.  [Redacted – s.29(1)(a)]  The review will explore the types of exceptional circumstances which can arise, whether tax is solution, and the approach to exceptional circumstances in rUK.	SG has committed to a number of actions in respect of net zero.  The review will consider whether the arrangements in place for LBTT can support those wider objectives.

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		alignment with wider housing policy goals.				
<b>Questions</b>	[Redacted – s.29(1)(a)]	[Redacted – s.29(1)(a)]	[Redacted – s.29(1)(a)]	[Redacted – s.29(1)(a)]	[Redacted – s.29(1)(a)]	[Redacted – s.29(1)(a)]

[Redacted – Not in scope]