

Building Safety Levy (Scotland) Bill - Strategic Environmental Assessment pre-screening

June 2025

Responsible Authority:

Scottish Ministers

Title of the plan:

Building Safety Levy (Scotland) Bill

What prompted the plan:

Legislation

Plan subject:

Tax

Brief summary of the plan:

The Grenfell Tower fire tragedy in London in June 2017 highlighted concerns about the safety of medium and high-rise buildings with external wall cladding across the UK and demonstrated the need to take action to remediate buildings with unsafe cladding.

On the day following the fire the Prime Minister at the time, Theresa May, announced that there would be a formal Inquiry into the tragedy. The Inquiry, chaired by Sir Martin Moore-Bick, opened on 14 September 2017 and concluded with the publication of the Phase 2 Report on 4 September 2024. The Scottish Government Response to the Grenfell Tower Inquiry Phase 2 Report was published on 25 March 2025.

The Housing (Cladding Remediation) (Scotland) Act 2024 was introduced by the Scottish Government to facilitate the delivery of the Cladding Remediation Programme, which aims to identify, assess, and address the safety risks of buildings within scope of the Programme.

To meet the costs associated with funding cladding remediation in England, the UK Government legislated through the Building Safety Act 2022 for the introduction through secondary legislation of a Building Safety Levy on the development of new residential buildings. The UK Levy will only apply to developments in England, meaning that the Scottish Government will receive no consequential funding from its introduction. This creates a gap in the funding options available to address cladding remediation in Scotland.

The Scottish Government set out in its Programme for Government 2024-25 a commitment to introduce a Scottish Building Safety Levy (SBSL) to support the funding of Scotland's Cladding Remediation Programme, following the devolution of the necessary powers which was finalised on 19 December 2024.

The SBSL will be paid by property developers and charged on the construction of new residential buildings in Scotland, with an estimated revenue target of £30 million per annum. The SBSL will apply to:

- New homes built by developers for onward sale
- Purpose built student accommodation and build-to-rent

- The redevelopment of existing buildings for the purposes of providing new or additional accommodation, irrespective of whether the existing building's current or past purpose is/was for non-residential use

The following types of buildings are outside of the scope of the Levy:

- NHS Hospitals, NHS Medical Centres and NHS GP practices
- Non-NHS hospitals and hospices
- Supported Housing, Residential Care Homes, Children's Homes
- Conversions, improvements to owner/occupied homes and refurbishments
- Refuges and residential domestic abuse facilities for example, rape crisis centres
- Criminal Justice Accommodation
- Military Barracks and other Military establishments (including accommodation provided for military personnel and their families by or on behalf of the Ministry of Defence)
- Hotels, hostels and similar establishments
- Monasteries, nunneries or similar establishments
- Seminaries and other religious colleges which include accommodation
- Drug and/ or alcohol treatment centres
- Temporary accommodation for homeless people
- School premises to be used for the sole or primary purpose of housing its students
- Social and affordable housing designated at completion
- All housing constructed on islands

Brief summary of the likely environmental consequences:

There are two areas where the Bill could potentially have environmental impacts.

Firstly, there is the potential for the cost of the SBSL (or any new cost on the housebuilding process) to impact on residential developments where viability is already marginal. It has been raised by property developer stakeholders in consultation that this could reduce the capacity of developers to invest in, deliver, and contribute to energy efficient homes and infrastructure, and could inhibit the environmental benefits brought about by new housebuilding.

Secondly and relatedly, it has been raised by a range of stakeholders in consultation that the cost of the SBSL may take brownfield developments closer to the threshold of viability, given that there are already existing additional costs and challenges with these types of developments that can reduce margins. The Bill will give Scottish Ministers the ability to set a differential rate for brownfield developments for the SBSL, which would be in line with the proposed approach taken by the UK Government for the Building Safety Levy in England.

These identified impacts are indirect, and the design of the policy intends to mitigate their likelihood and significance.

To help inform policy development for the SBSL, we have been working collaboratively with the residential property development sector and other stakeholders to ensure that the tax is compatible with its intended aims while minimising any potential impacts.

From this process of consultation and stakeholder engagement we have uncovered no evidence to suggest there will be any significant or direct impacts on the environment. The Scottish Government intends to monitor and evaluate the potential impacts of the SBSL once the tax is operational.

It is our assessment that the introduction of the Bill will have minimal environmental impact, and therefore a full screening is not required.

Brief summary of how environmental principles have been considered:

We have considered the guiding principles during the preparation of this Strategic Environmental pre-screening assessment. Due to the minimal environmental effects of the Bill, we consider that the guiding principles are not relevant to this Bill.

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The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83691-629-1 (web only)

Published by The Scottish Government, June 2025

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1601834 (06/25)

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