

Revenue Scotland LBTT Forum

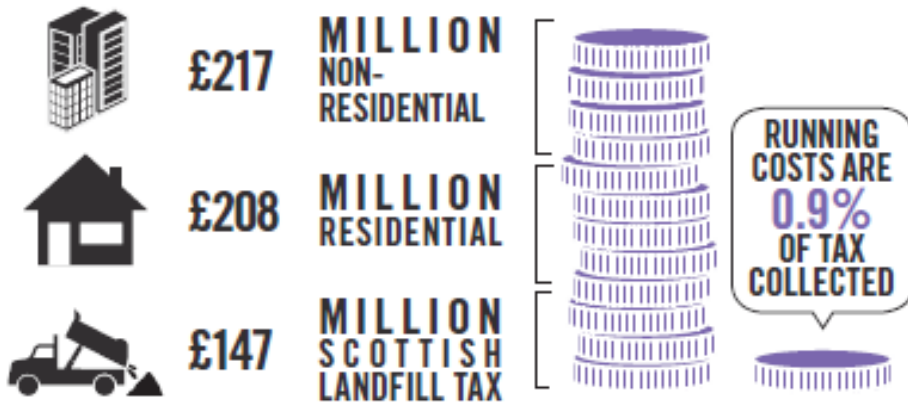
26 April 2017

Overview

- Highlights from second operational year;
- Finance and Constitution Committee LBTT inquiry report;
- Budget Process Review Group – interim report and next steps;
- Priorities for year ahead

98.1% OF TAX RETURNS SUBMITTED ONLINE

OVER £500,000,000 COLLECTED IN TAX



96% OF WRITTEN COMMUNICATIONS RESPONDED TO WITHIN 10 WORKING DAYS

0 SECURITY BREACHES | **AVERAGE CALL WAITING TIME OF 10 SECONDS**

99%

As at 31 March £551M

- £158M non residential
- £279M (inc £81M ADS)
- £114M SLFT

Running costs: 0.83%

97% responses within 10 working days

0 breaches | 7 secs waiting time

The total transferred to SCF since April 2015 is £1,145,957,613.66

Finance and Constitution Committee: LBTT inquiry Report

- Published 5 December 2016

www.parliament.scot/parliamentarybusiness/CurrentCommittees/102865.aspx

- Successful operational transition from SDLT to LBTT;
- Recommended RS consider feedback from respondents re opinions and guidance
- Too early to draw definitive conclusions from data on impact of rates and bands but recommended Scottish Fiscal Commission continued to monitor data;
- Challenges around presentation of LBTT data and therefore difficult for committee to fully assess impact of LBTT on Scotland's property market;
- Challenges in identifying the causes for changes to the housing market;
- Recommended that Scottish Government's review of first year of LBTT included analysis of the behavioural response to LBTT, particularly for homes costing £325k - £750k;
- Invited Scottish Government to provide information on impact of LBTT on first-time buyer market.

Improving publication of LBTT stats

- In response to feedback from users, we now include breakdowns of residential and non-residential conveyance transactions (and tax declared due) by total consideration tax bands.
- Separate data for leases has also been added, and the net Additional Dwelling Supplement (ADS) component is shown in the table of total tax declared due.
- Also, the publication now focuses on tax declared due, and the tax received is no longer published on a monthly basis, but will continue to be monitored by Revenue Scotland and included in Revenue Scotland's Annual Report and Financial Statements.

www.revenue.scot/about-us/publications/statistics

Budget Process Review Group

Purpose

- To review Scottish Parliament budget process following devolution of further powers in Scotland Act 2012 and Scotland Act 2016;
- To propose to Finance Committee and Cab Sec for Finance and Constitution a revised budget process consistent with the principles of the Financial Issues Advisory Group (FIAG).

Budget Process Review Group

Two stages

- Assess likely impact of increased powers on effectiveness of existing budget process;
- Propose revised budget process addressing increased powers;
- Interim report and consultation published on 10 March 2017. Five key themes - effectiveness of existing process, scrutiny of approach to multi-year budgeting, medium-term financial planning and outcomes-based scrutiny, and impact of fiscal framework;
- Consultation closes **end of this week** and report to parliament and Ministers before summer recess.

Priorities for 2017/18

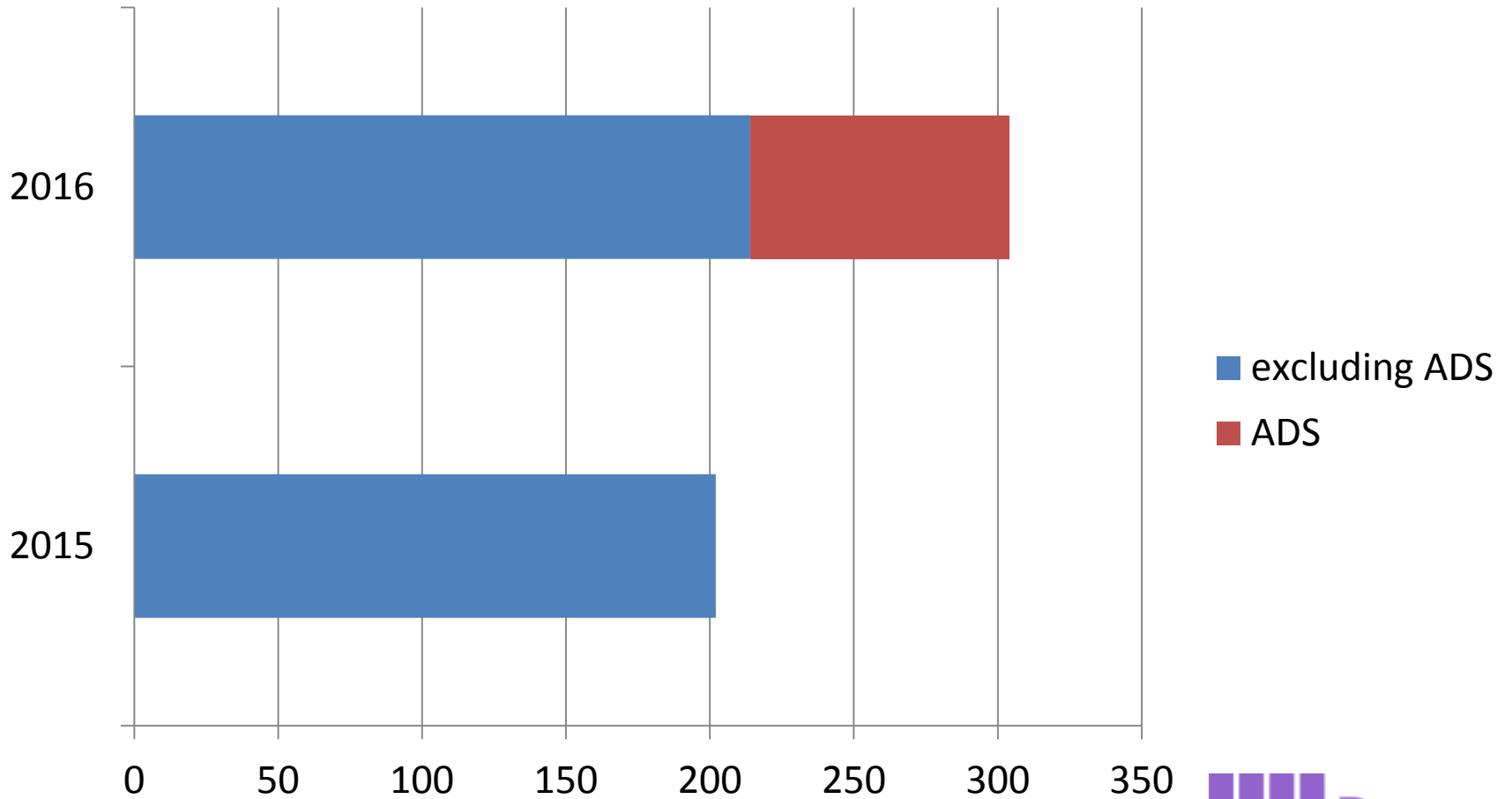
- Maintaining high level of service to taxpayers and their agents we have established;
- Keeping our legislative and 'how to' guidance under review to ensure it is up to date and accurate;
- Continuously improving the effectiveness of online systems and processes in response to operational requirements and taxpayer experiences;
- Working with key stakeholders to implement the systems and processes required to administer and collect Air Departure Tax from 1 April 2018;
- Finalising our approach to compliance to address avoidance and evasion of LBTT and SLFT and improving data use across Revenue Scotland, Registers of Scotland, SEPA and HMRC to inform our approach to compliance and decision making;
- Preparing the way for the reprocurement of SETS;
- Continuing to raise awareness of Revenue Scotland, its role and remit through effective communications and stakeholder engagement.

LBTT Update

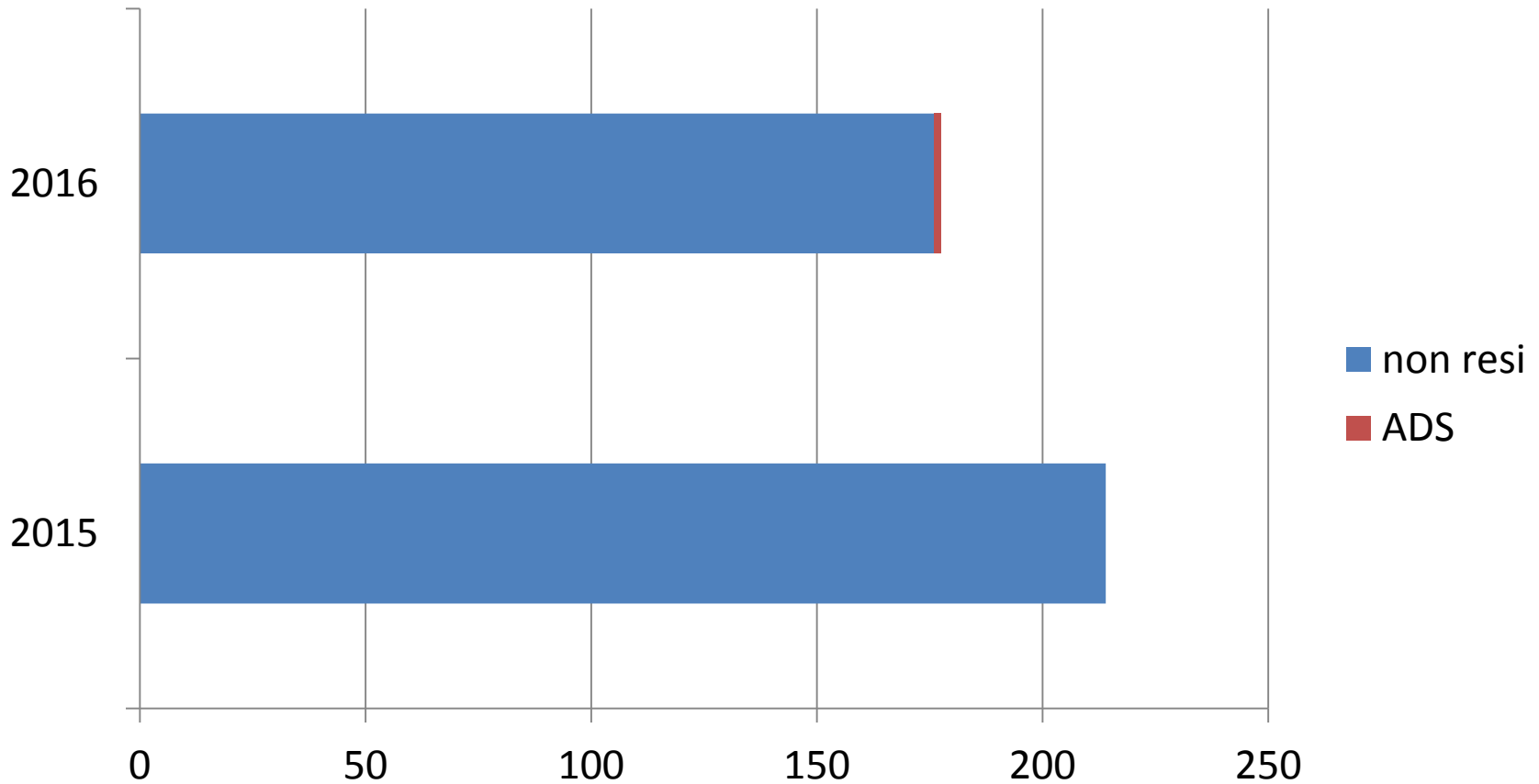
Robert Buchan

LBTT Team Leader, Revenue Scotland

Residential LBTT



Non Residential LBTT



ADS

- £104m declared due
- £13.4m repaid in the year
- 21k returns received declaring ADS payable

Opinions and mailbox

- Significant increase in requests for opinions
- Almost double amount of mailbox queries
- Similar number of deferral application

Compliance

- Increased number of enquiries
- Including some 'randomly' generated ones

Disputes

- 133 requests for a review of a Revenue Scotland decision
- 35 RS decisions overturned on review
- Tax Tribunal cases

Technical Update

Avril Campbell

Senior Tax Specialist, Revenue Scotland

Planning and Change of Use

Guidance at LBTT4010



Pension Fund in Specie Transfers

Schedule 18 Paragraph 5

Bare Trusts

Where a person (T) acquires a chargeable interest or an interest in a partnership as bare trustee, this Act applies as if the interest were vested in, and the acts of T in relation to it were the acts of the person or persons for whom T is trustee.

Guidance on Bare Trusts is at LBTT 8002

Market Value and Connected Companies

- **S22 Deemed market value where transaction involves connected company**

(1) This section applies where the buyer is a company and—

(a) the seller is connected with the buyer, or

(b) some or all of the consideration for the transaction consists of the issue or transfer of shares in a company with which the seller is connected.

(2) The chargeable consideration for the transaction is to be taken to be not less than—

(a) the market value of the subject-matter of the transaction as at the effective date of the transaction....

(5) But this section has effect subject to any other provision affording exemption or relief from the tax.

Schedule 17 - Partnerships

- Schedule 17 and MV - Paragraphs 13 and 21
- MV = the market value of the interest transferred
- S22 v sch 17 – what takes precedence?

Example

Brother and sister in partnership with 50:50 income share

Wish to transfer partnership land/property to their new limited company

Limited company ordinary share ownership same 50:50 split

Sch 17 provisions take precedence when determining the chargeable consideration. As a result of the application of the schedule 17 SLP provisions no LBTT should be payable in this example.

Any Questions?



Lease reviews

Martin Davidson
Tax Specialist, Revenue Scotland

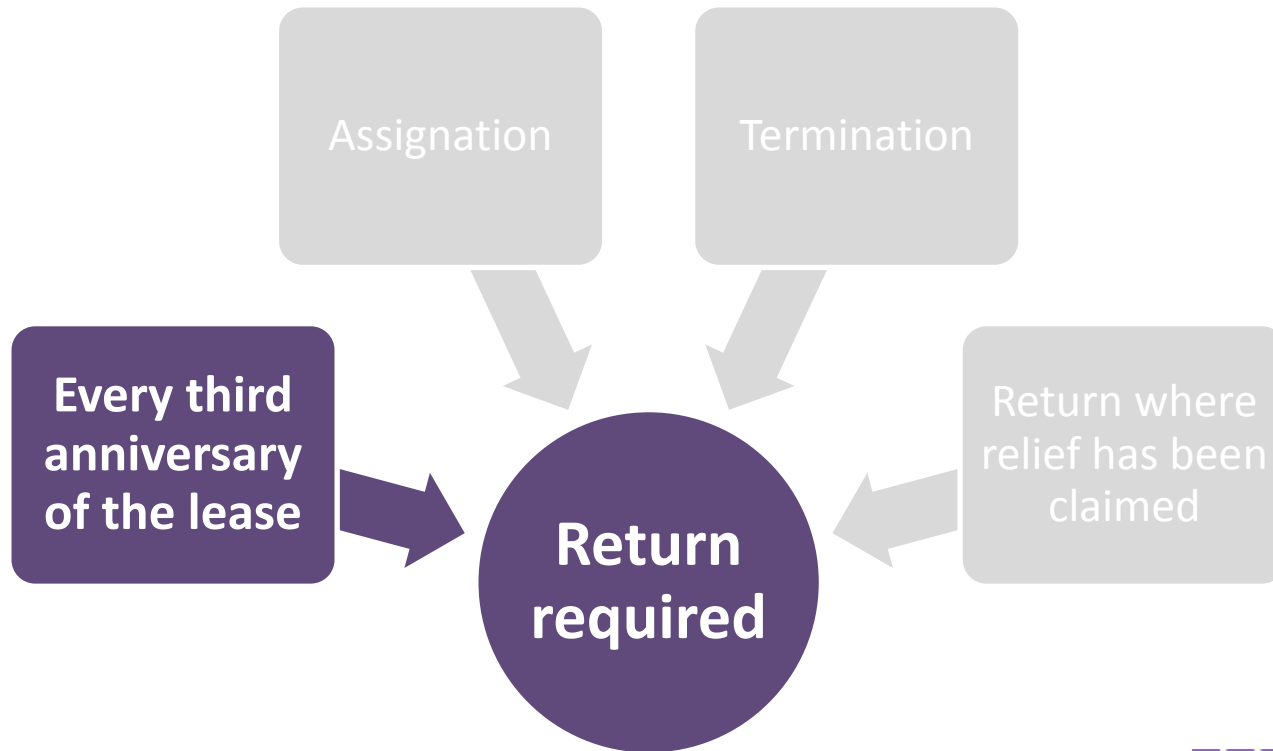
Background & Legislation

In the past: SDLT and leases

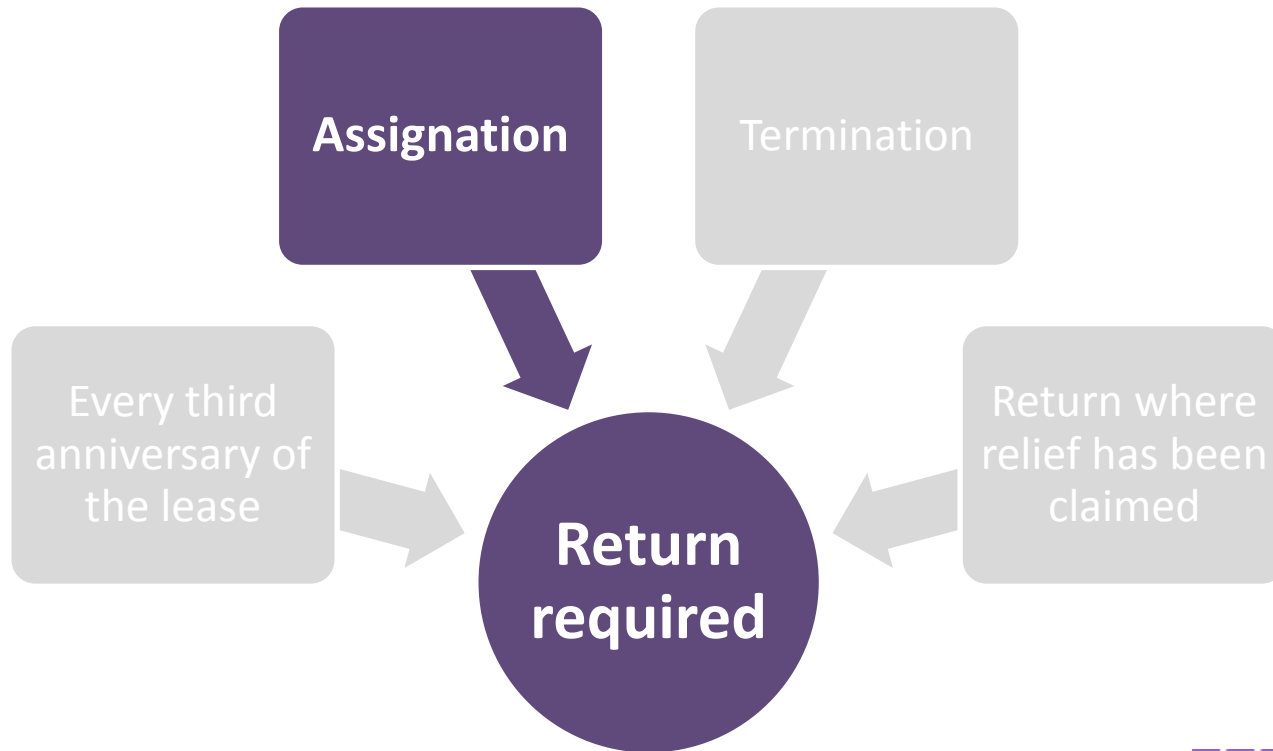
- SDLT approach not a good fit with Scots Law on leases
- E.g. variations, tacit relocation etc
- Returns not being made
- Tax not being paid



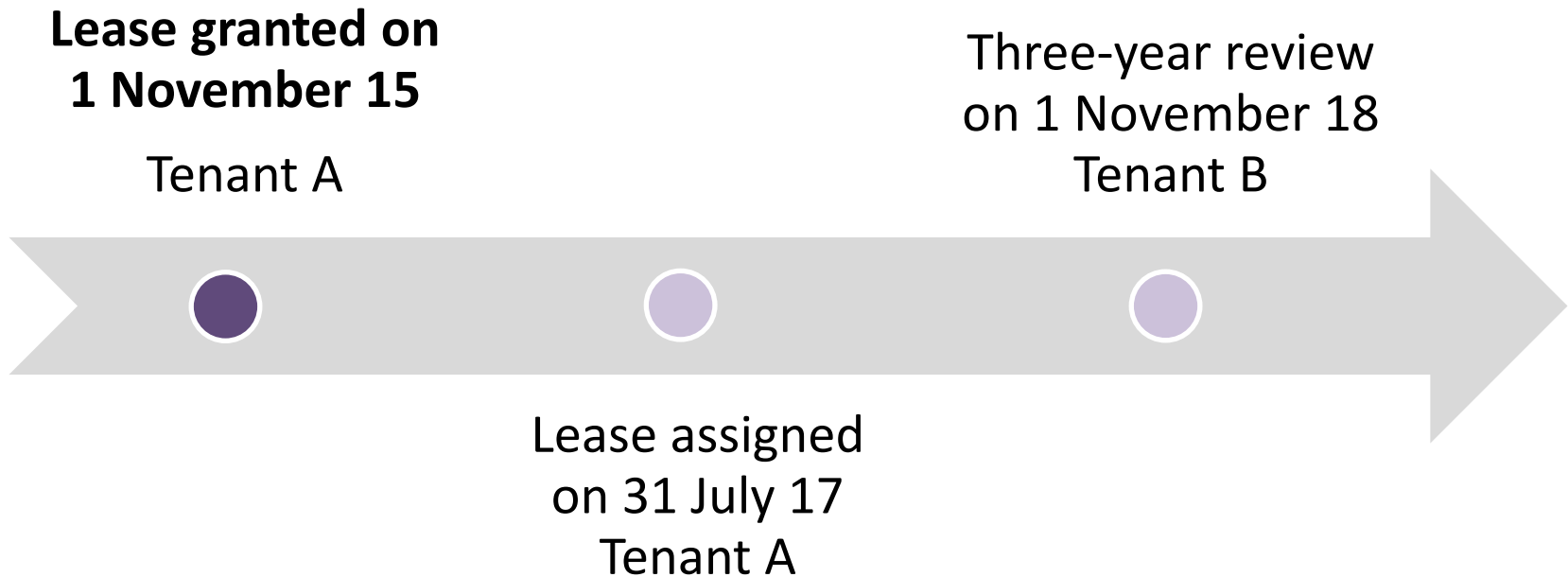
Filing requirement



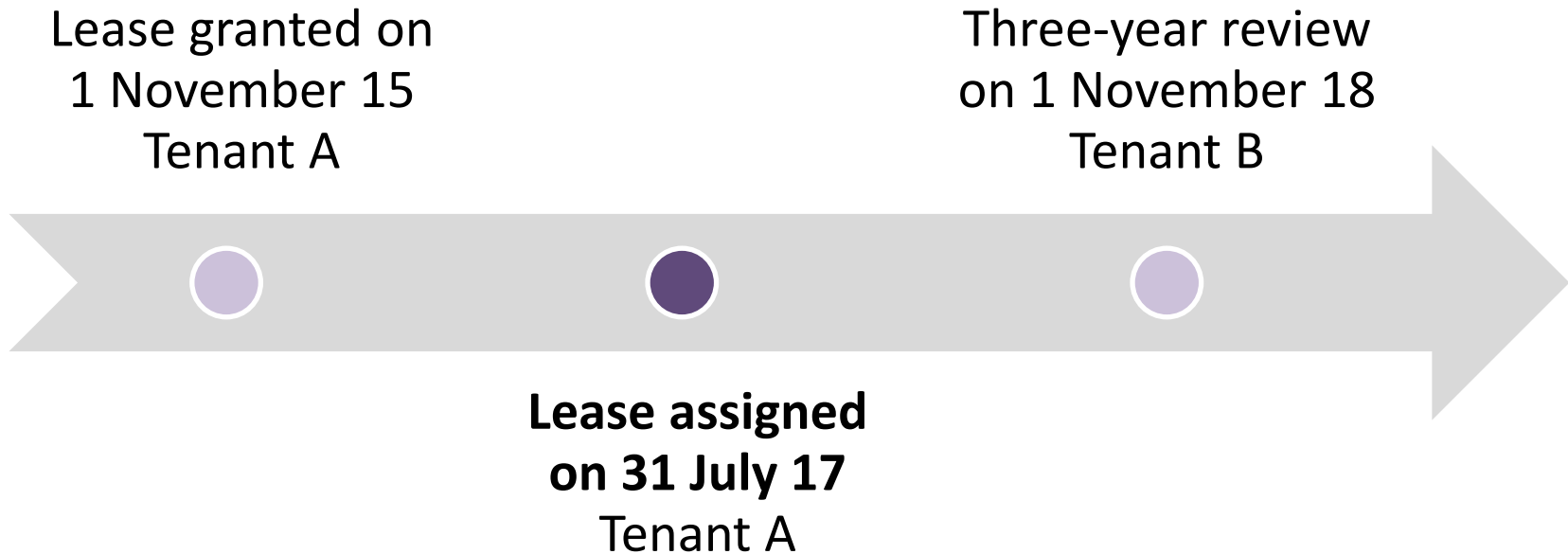
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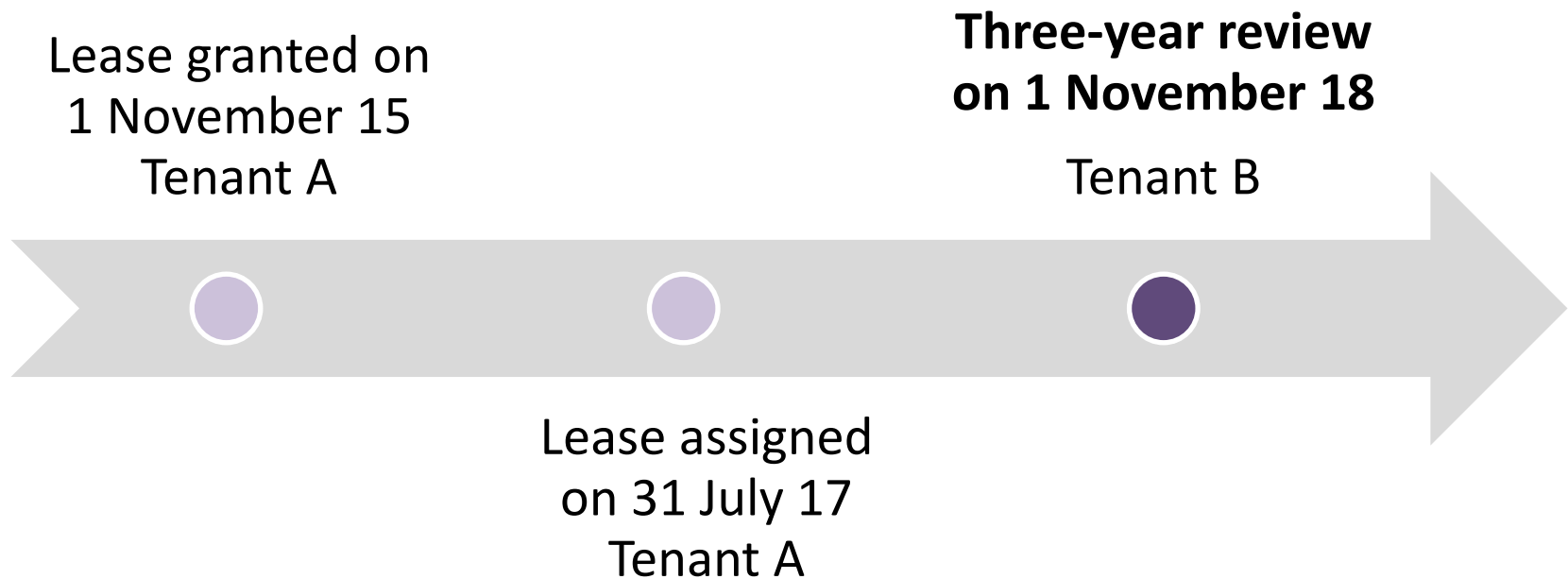
Assignment – review returns timeline



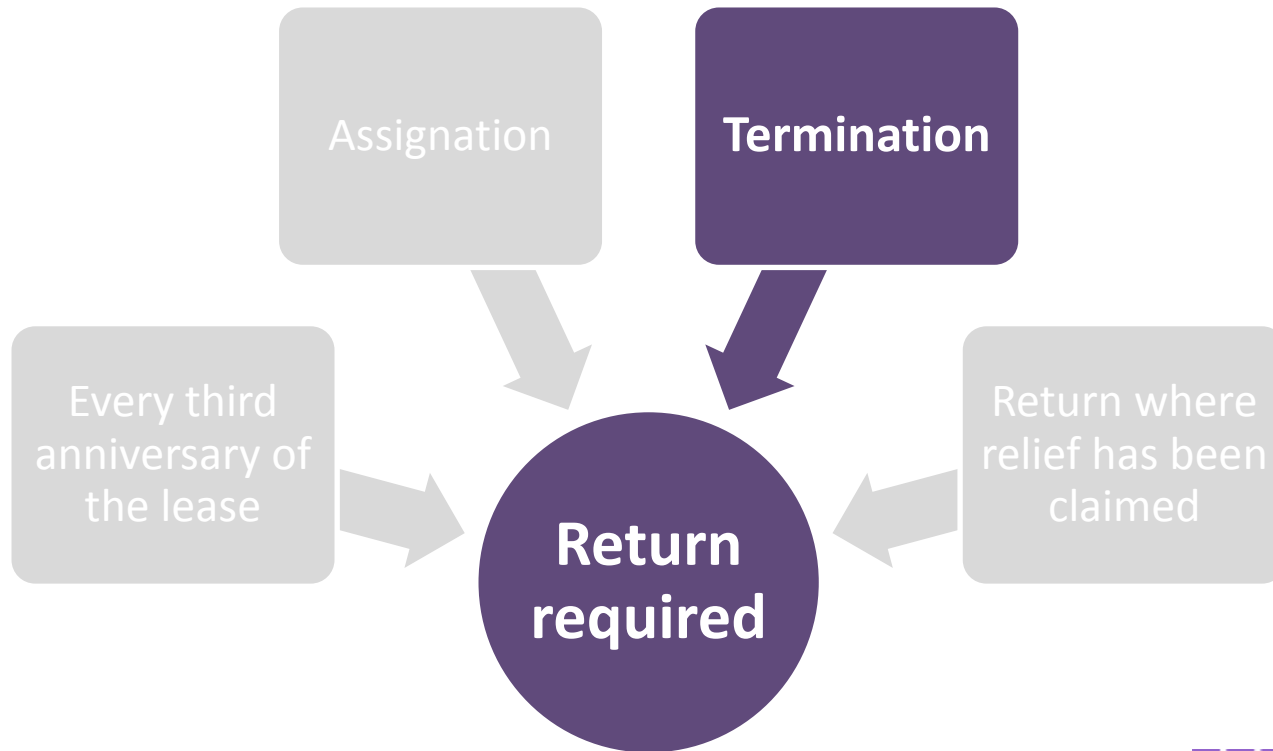
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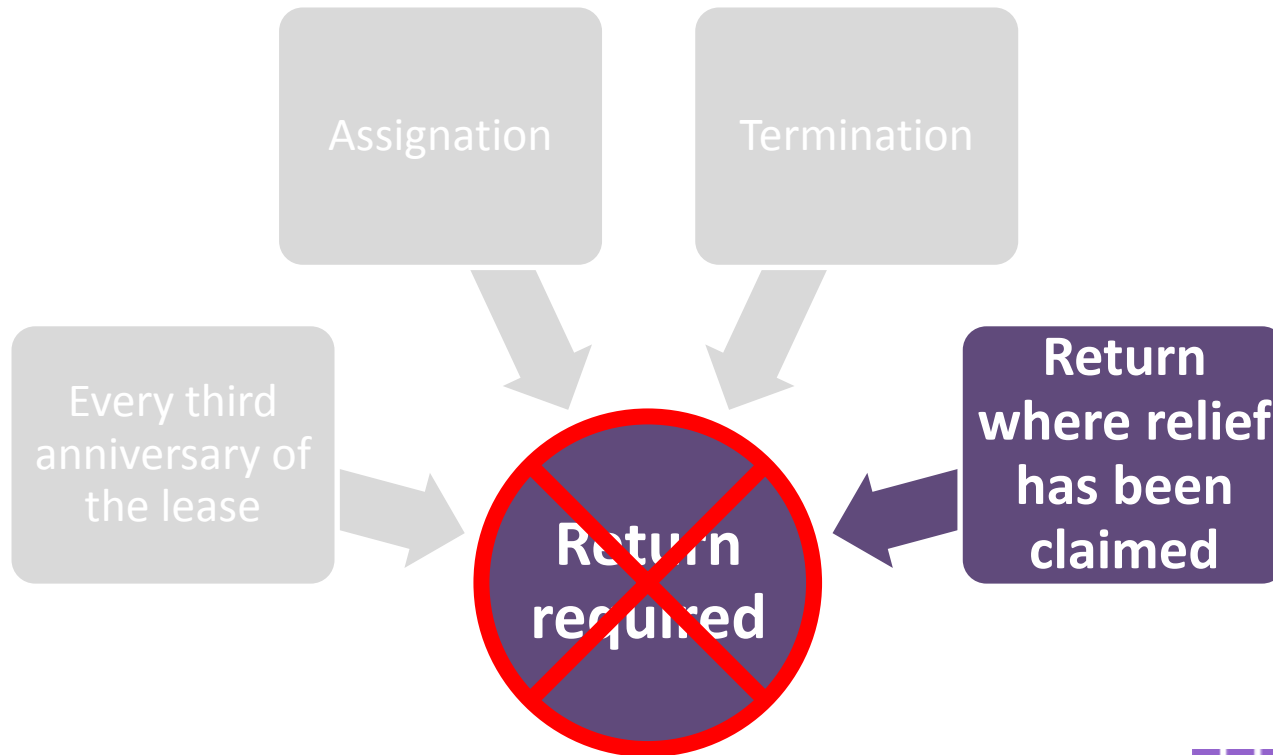
Assignment – review returns timeline



Filing requirement



Filing requirement



Revenue Scotland's approach

Key Milestones

- IT Development – Summer/Autumn
- Testing of Guidance and IT – Autumn/Winter
- LBTT Forum - Autumn
- Guidance published and notification letters issued – early 2018
- First returns expected – 1 April 2018

Some issues

- Suggestion that Revenue Scotland should alert taxpayers in advance
- Who will likely be completing the return?
Solicitor or taxpayer?
- Necessity to recalculate the difference in the amount of tax due at point of review
- Can solicitors access the return from 3 years ago?
- If it's a new solicitor, how can they access the previous return?

Comms Approach

- Specialist audience requires different approach
- Crucial that taxpayers are engaged and informed in early stages and throughout process
- Traditional communication channels – i.e. website, social media, trade publications and mainstream press
- Updates to guidance

Any questions?

Contact Us

www.revenue.scot

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