

**Revenue Scotland**

**LBTT Forum**

**Aberdeen**

**8 November 2018**



# Welcome and Corporate News

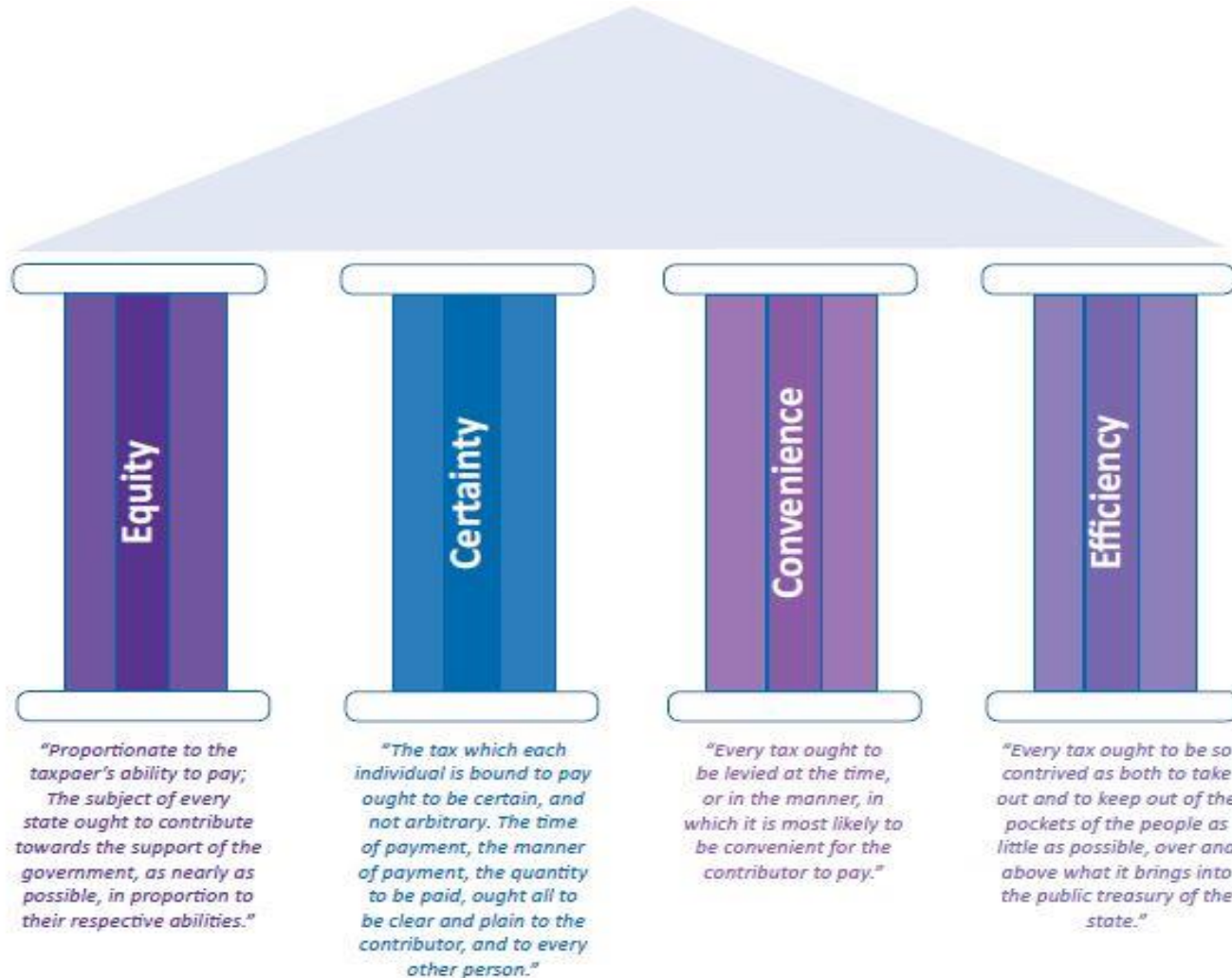
Chris Myerscough

Head of Tax

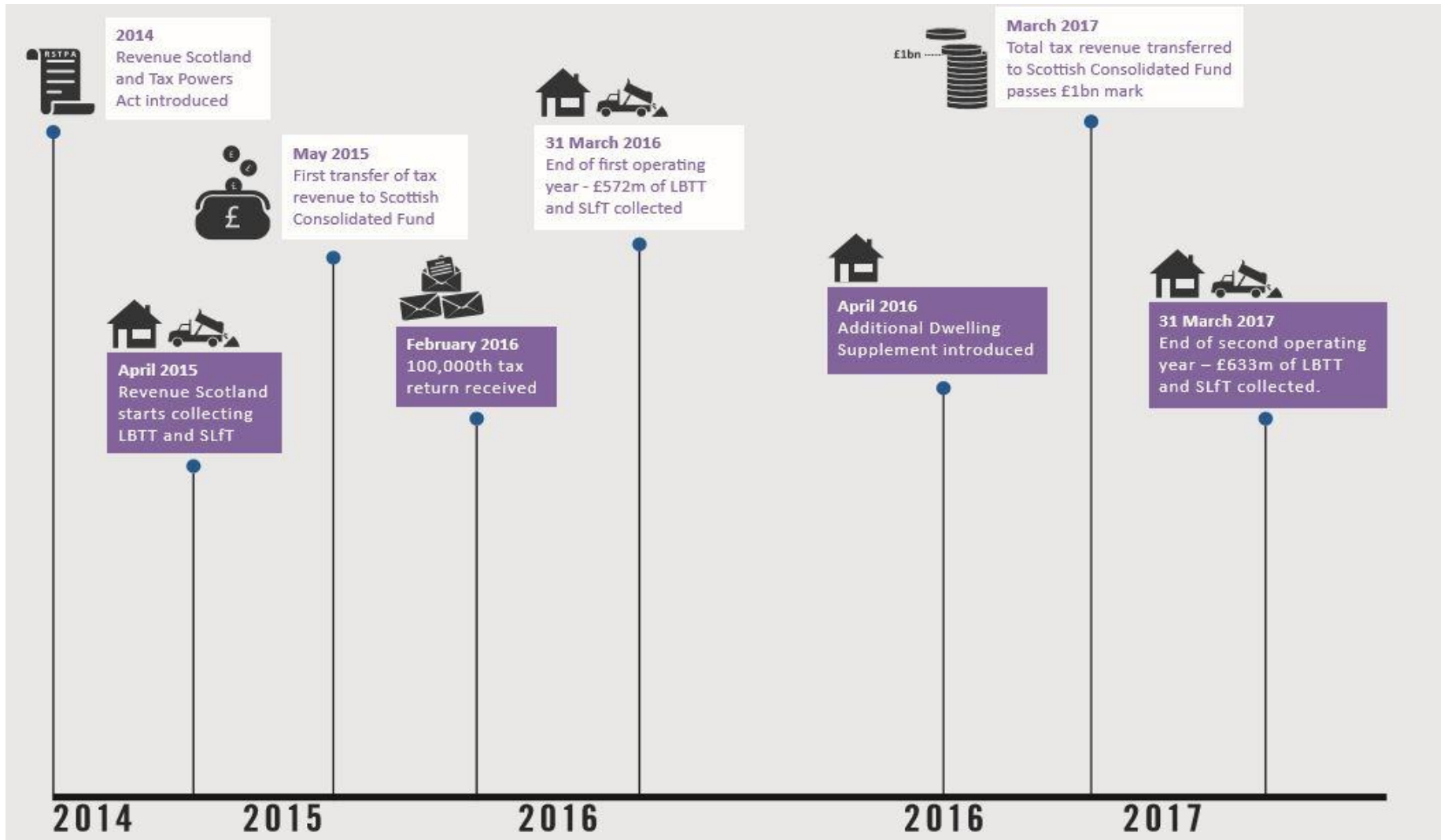
# Agenda

- 15:00 **Welcome and Corporate News**
- 15:10 **Improvements to Revenue Scotland Service Delivery**
- 15:20 **LBTT Technical Update**
- 15:40 **Roundtable session**
- 16:30 **Operational Update**
- 16:50 **Closing Remarks**
- 17:00 **Event close**

# Adam Smith Principles of Taxation



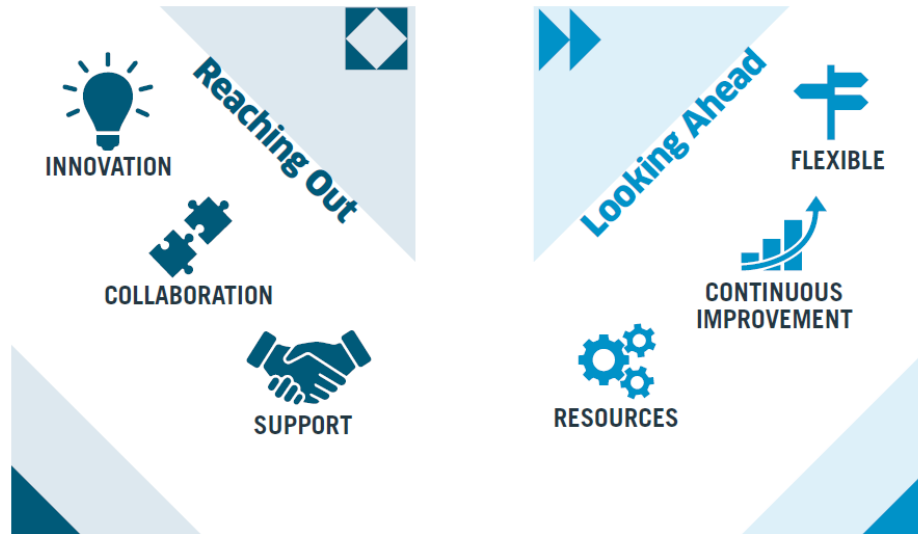
# Revenue Scotland timeline



# Corporate Plan 2018-21

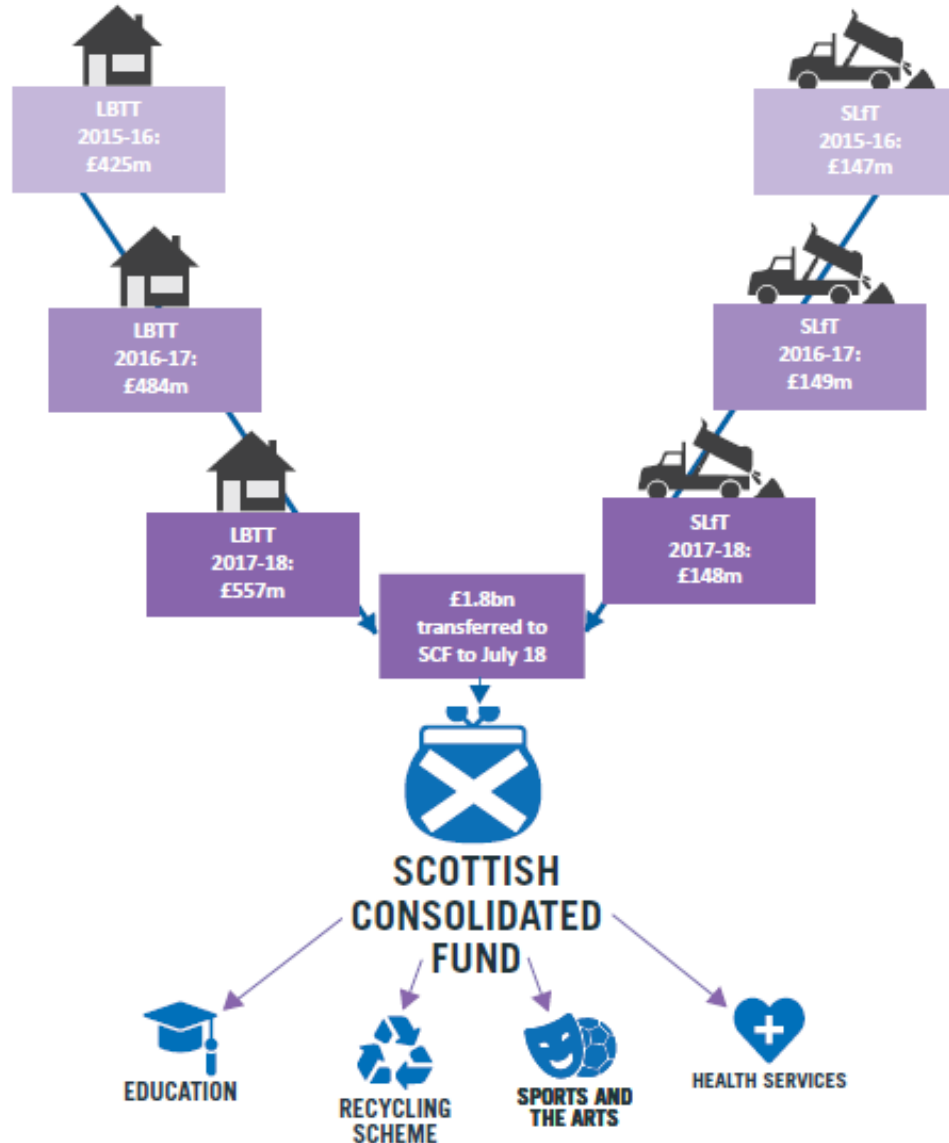


## Corporate Plan 2018 - 21

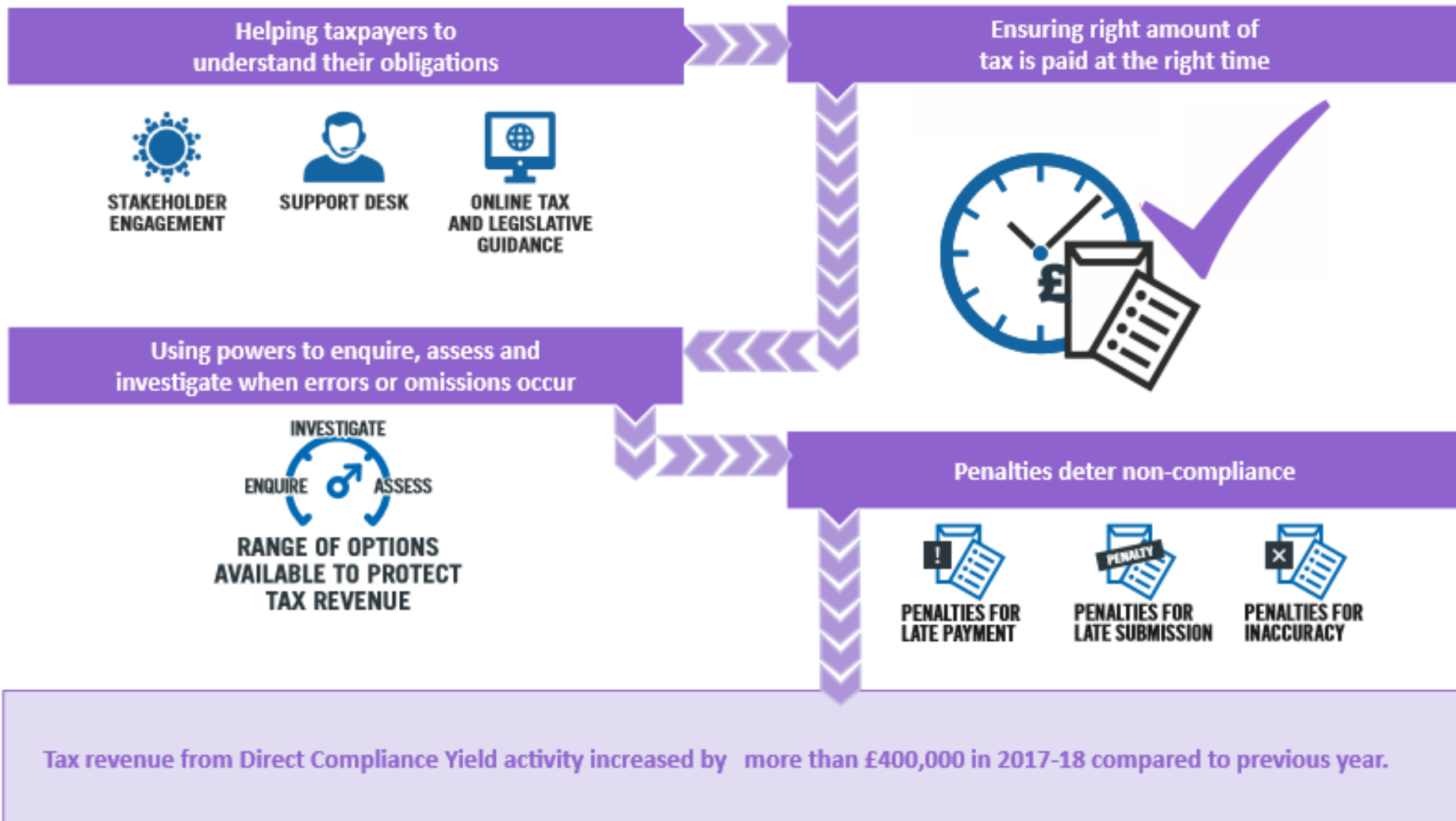


# About us

Revenue Scotland is responsible for the collection and management of fully devolved taxes in Scotland – currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLFT).



# Working to inform taxpayers and protect Scotland's tax revenue

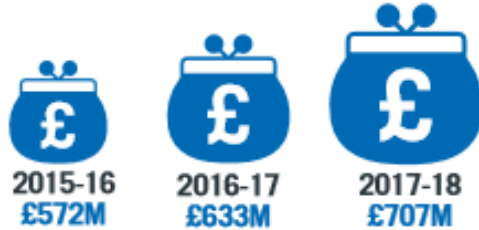


\*The KPI of direct compliance yield measures revenue raised as a direct result of determinations, adjustments assessments and penalties where non-compliance has been identified.



# Tax trends 2015 - 18

## TOTAL TAX REVENUE



## % OF TAX RETURNS SUBMITTED ONLINE



## TOTAL NUMBER OF TAX RETURNS RECEIVED



## RUNNING COSTS

**BELOW 1%**

OF TAX COLLECTED  
SINCE TAX OPERATIONS  
BEGAN



## PAYMENTS ON TIME

2015-16 – 92.6%  
2016-17 – 93.1%  
2017-18 – 93.6%

## NUMBER OF CALLS TO SUPPORT DESK



2015-16 – 7,929  
2016-17 – 7,926  
2017-18 – 8,504

**0 SECURITY BREACHES**



NO SECURITY BREACHES  
SINCE REVENUE SCOTLAND  
WAS ESTABLISHED

# Horizon scanning



# Improvements to Service Delivery

# What are we doing?

A programme of work that will redesign and optimise our service delivery, by:

- Realigning business practices, processes and guidance, and
- Replacing the Scottish Electronic Tax System (SETS)

# The case for change

Revenue Scotland has collected over £2bn of revenues since the devolved taxes came into effect in April 2015. We have delivered a user-friendly online service for taxpayers and agents to make returns, with over 99% of returns being made online. Our system receives over 115,000 returns every year, securely storing the data of taxpayers and allowing our staff to manage the devolved taxes.

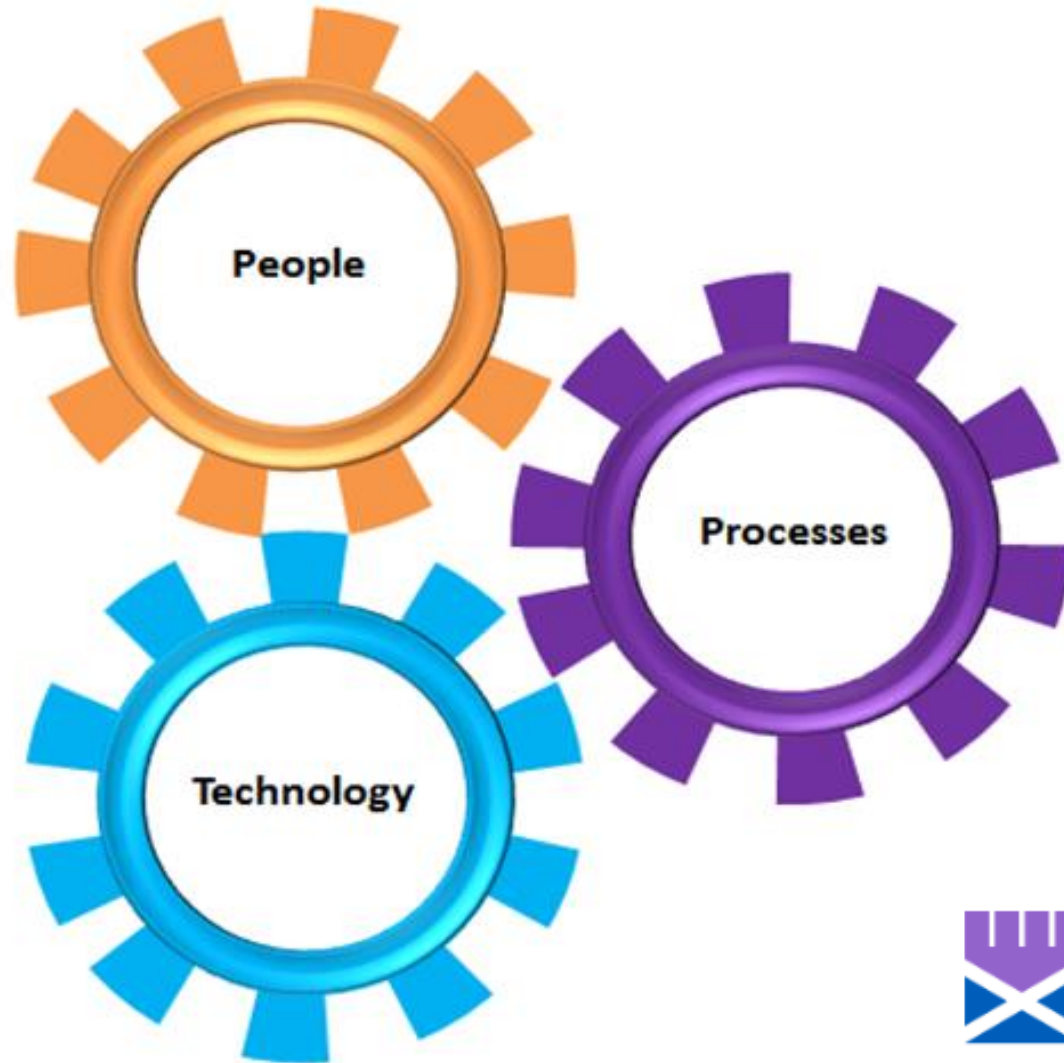
None of this would be possible without a user friendly, reliable system. We do know however, that:

- Our external end users like the system, but can find elements of it frustrating (e.g. incorrect balances showing)
- There are constraints in the system that create inefficiencies in our processes

## In addition...

- The contract with current technology supplier comes to an end in 2019
- We've matured as an organisation and we are clearer of what we need and want from the system
- It presented a good opportunity to realign our processes and ways of working

# What's it all about?



# Resulting in...

**Better communication**  
**Enhanced service**  
**Supported transition**  
**Increased efficiency**  
**User friendly**



# What's happening now?

Recently appointed Northgate Public Services as our technology supplier. We've been working together to outline the plan and timetable for delivery of the new system.

We are working with our internal and external users to understand what they need and want from the system

Anticipating the new system to go live mid-2019

# What does it mean for you?

- A new system
- A better service
- You're part of the process – we'll ask you to be involved throughout the process, to give us feedback on the current system and the design of the new.

# Get in touch



[servicedesign@revenue.scot](mailto:servicedesign@revenue.scot)



Lauren 0131 244 3553

# LBTT Technical Update

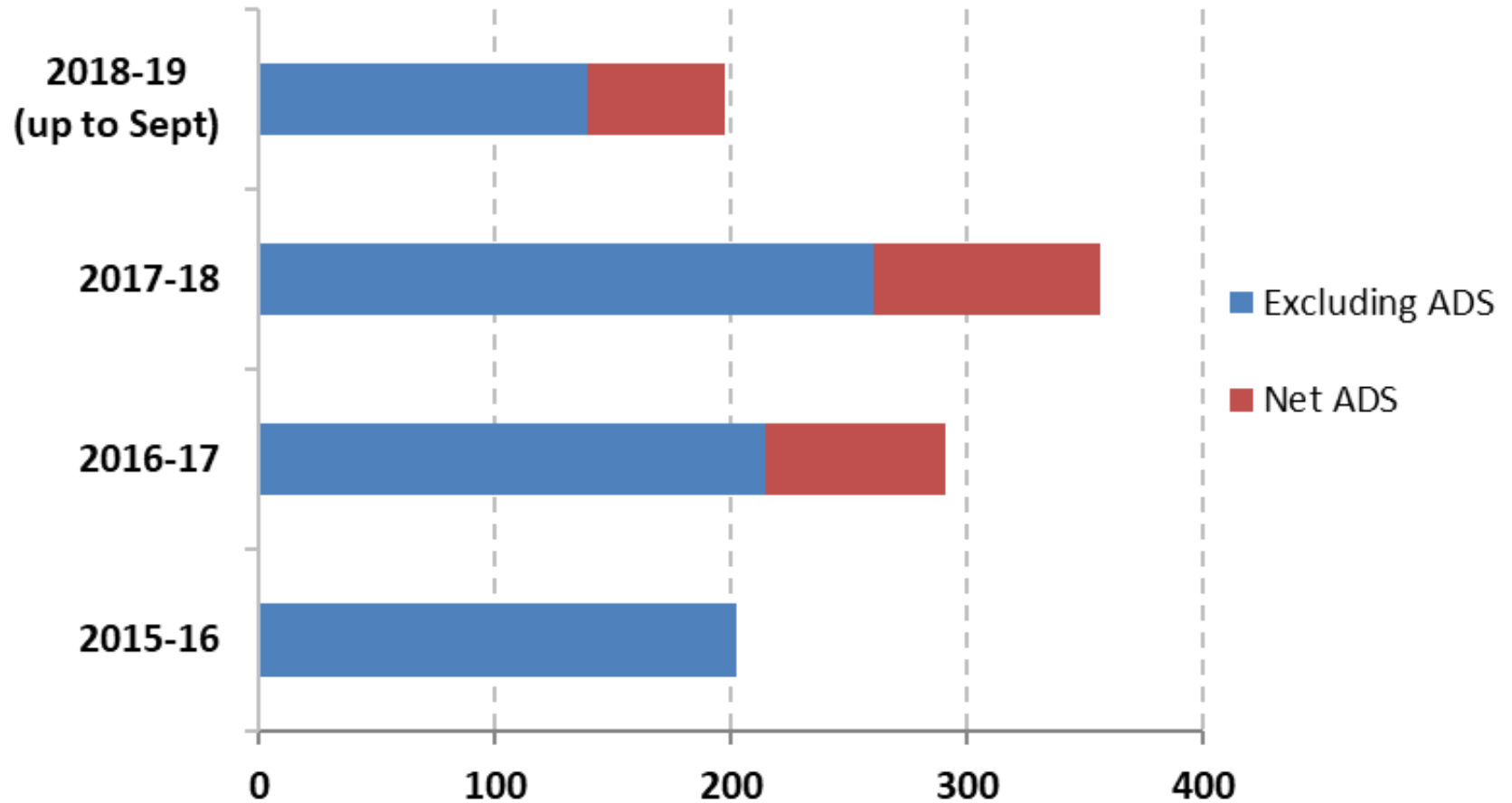
Avril Campbell

LBTT Team Leader

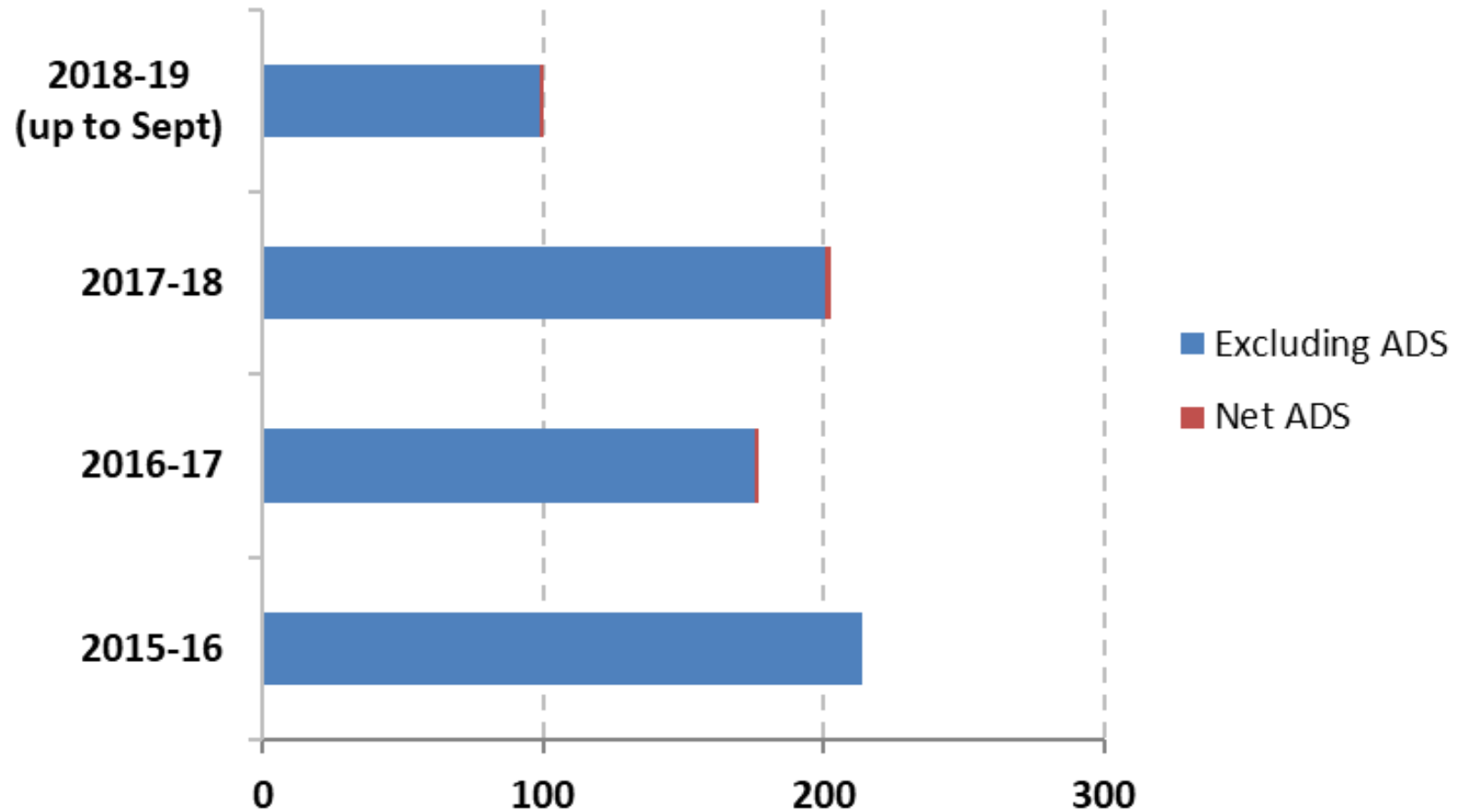
# Introduction

- LBTT returns – some statistics
- Lease reviews
- Legislative Change in 2018-19

# Residential LBTT (£m)



# Non Residential LBTT (£m)



# ADS

- £294m declared due to date since April 2016
- £59m repaid to date
- 57k returns received declaring ADS payable

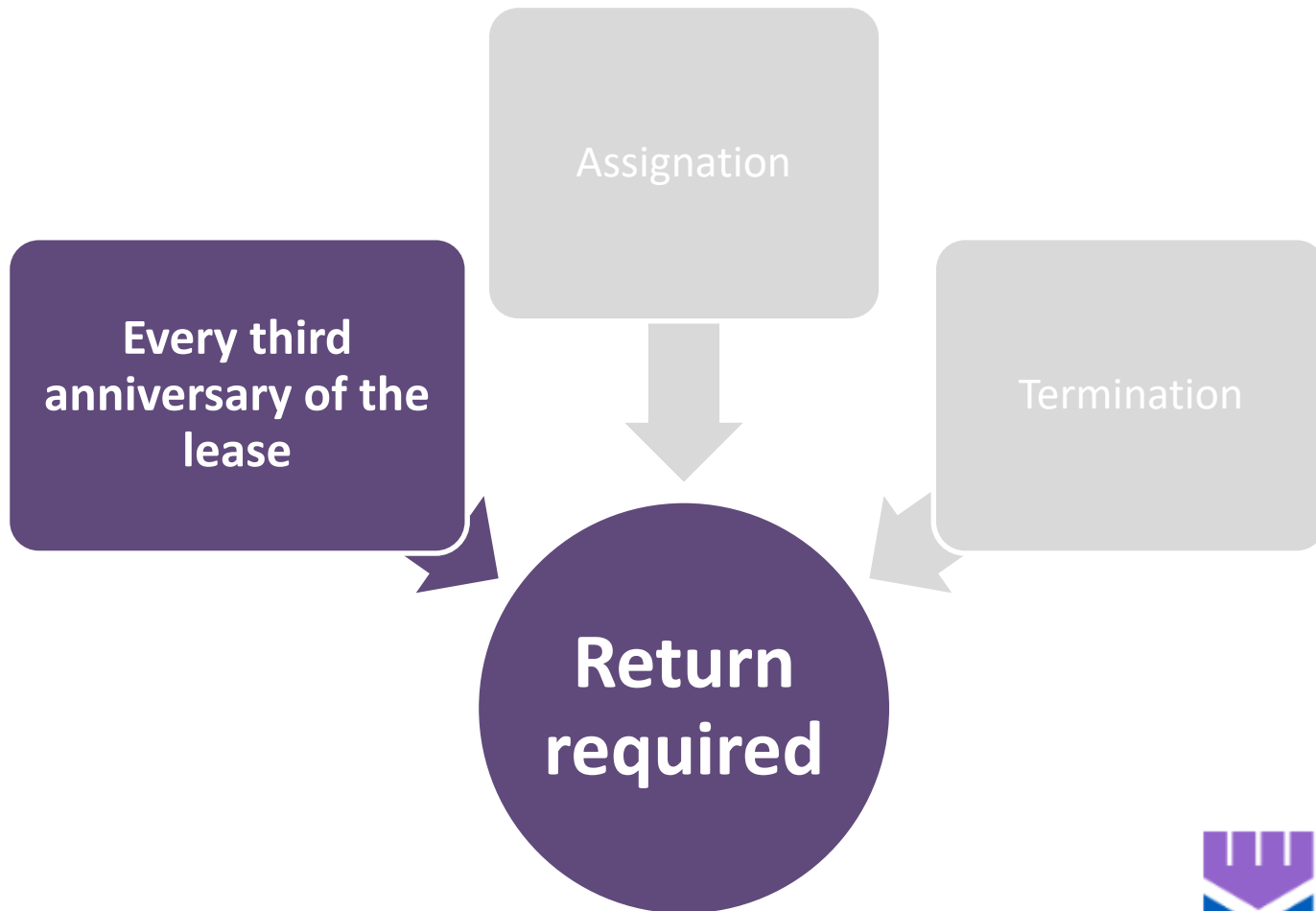


# Lease Reviews

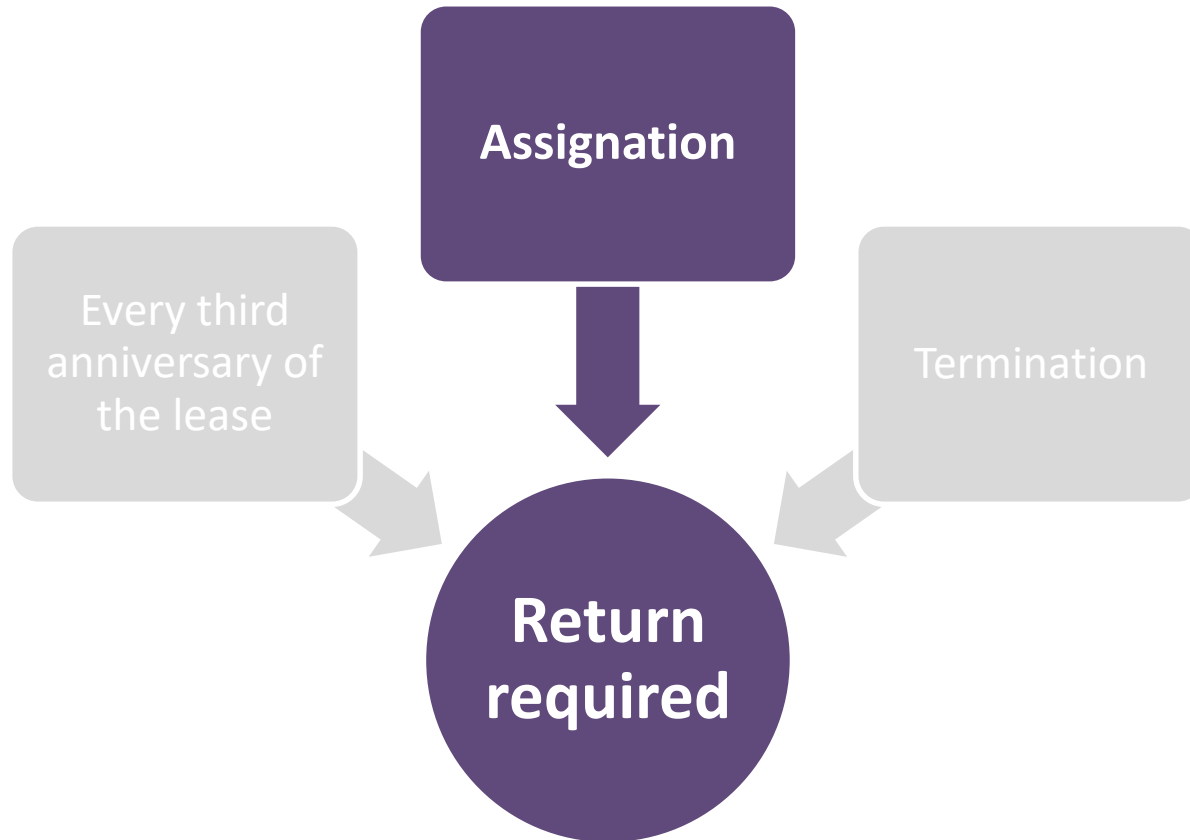
# SDLT and Leases

- SDLT approach not a good fit with Scots law and leases
- Differences in property law in the rest of the UK meant that SDLT returns were not being made and tax was not being paid
- LBTT Bill process – Aim to collect right amount of tax over the lifetime of a lease

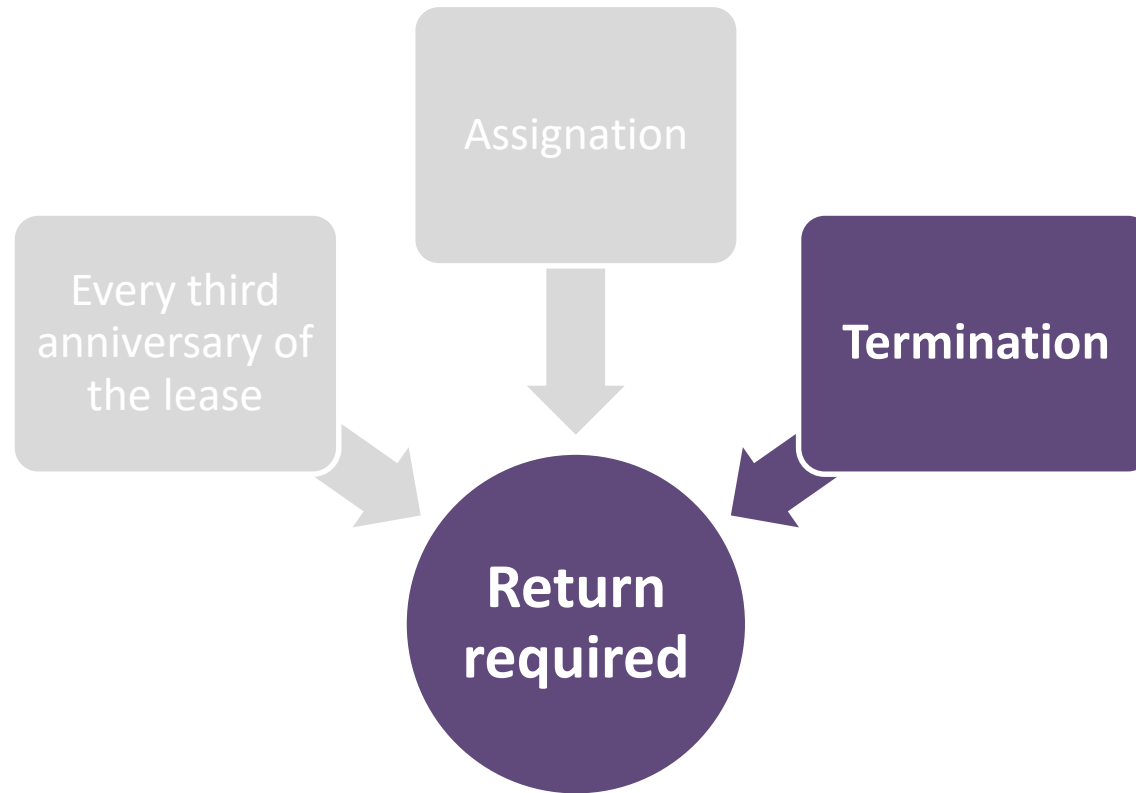
# Filing requirement



# Filing requirement



# Filing requirement



# When a further return is not required

- Leases which have never been subject to an LBTT return (for example, leases which were and continue to be subject to SDLT or Stamp Duty); or
- Leases which have been subject to LBTT return but where a full relief has been claimed on the first LBTT return

[Home](#) > [Land and Buildings Transaction Tax](#) > [Leases](#)

## Leases

This section provides information about LBTT and leases in Scotland including guidance on the Land and Buildings Transaction Tax (Scotland) Act 2013, a tax calculator for LBTT and how to submit a return.

### Three-year review of LBTT leases

The Land and Buildings Transaction Tax (Scotland) Act 2013 sets out the legislative requirement for a tax return to be submitted for leases in Scotland in specific circumstances including:

- Every three years from the effective date of the lease
- On assignment
- On termination

The first three-year review point for leases subject to LBTT is 1st April 2018.

### Submit a return

Ways to submit a lease review return.

### Forms and Factsheets

Quick links to useful documents.

### Calculating tax

Calculate LBTT for leases.

### Legislative Guidance and Worked Examples

Links to guidance and worked examples on lease transactions and

### How to

Practical information about how to submit a return and pay tax.

### FAQs

Frequently asked questions about leases.

[Leases section on Revenue Scotland website](#)

[Check out our videos on YouTube](#)

# Legislative Change



# Additional Dwelling Supplement (ADS)

# ADS

The Land and Buildings Transaction Tax  
(Additional Amount - Second Homes Main  
Residence Relief) (Scotland) Order 2017

# ADS

Both buyers treated as replacing their main residence even though their previous main residence was only owned by one of them.

This means that in these circumstances, transactions will either:

- not attract ADS, or
  - if the previous main residence hadn't sold at the time of purchase, the ADS could now be reclaimed.
- 
- Retrospective

# Worked example

## **Example 73A : Repayment of ADS already paid on sale of previous main residence solely owned by only one buyer**

Marc and Ava currently live together in their main residence solely owned by Ava. They jointly purchase a new main residence however the previous main residence does not sell prior to the effective date.

ADS is payable on the purchase of the new main residence as, at the effective date, the couple own or are deemed to own more than one dwelling and they have not sold their previous main residence.

The previous main residence sells five months later. Although only one of the joint buyers (Ava) actually sold the previous main residence, schedule 2A, paragraph 8A of the LBTT(S)A 2013 applies and a repayment of the ADS already paid can be claimed.

# ADS FAQs: Repayment claims

## Conversion of two properties into one

- ADS policy intent
- Property ownership at effective date
- No disposal
- No repayment due

# ADS FAQs: Repayment claims

## Selling the 'ADS' property

- At the effective date the additional dwelling attracted ADS
- Fail to sell previous main residence
- ADS dwelling sold
- No repayment due

# ADS FAQs

- Inherited property share
- Value of share less than £40k

Question : Does it count as a second property for ADS?

# First Time Buyer Relief (FTB)



# The Land and Buildings Transaction Tax (First-Time Buyer Relief) (Scotland) Order 2018

- Zero tax threshold for first-time buyers raised from £145,000 to £175,000.
- > £175,000?
- The relief only applies to transactions where the contract is entered into on or after 9 February 2018 and where the effective date of the transaction is on or after 30 June 2018

# Conditions for relief

- The transaction is an acquisition of a major interest in land
- The land consists entirely of residential property and includes a dwelling
- The buyer is a first-time buyer who intends to occupy the dwelling as the buyer's only or main residence
- The transaction is not a linked transaction and
- The transaction is not one to which ADS applies

# Meaning of 'first-time buyer'

- A person who does not own nor has previously owned a dwelling in Scotland, the rest of the UK or the rest of the world
- A dwelling for which an individual holds a tenant's interest under certain types of lease in the rest of the UK would count towards dwellings owned by an individual
- Gifted or inherited dwellings and dwellings held in trust

# Worked example

## First-time buyers purchasing a dwelling for over £175,000

- Erin and Justine purchase a dwelling for £250,000 on 15 July 2018 which they will use as their main residence.
- Neither Erin or Justine has ever owned a dwelling
- Both meet the definition of first-time buyer.

Erin and Justine are entitled to the full amount of First-Time Buyer relief, however the maximum amount of relief that can be claimed is £600, therefore the total LBTT due on the transaction is £1,500.

# Worked example

## Individual is not a first-time buyer

Colin was gifted a dwelling by his grandmother which he sold in 2014. He now purchases a dwelling for £300,000 on 1 November 2018 which he will use as his main residence.

As Colin previously owned a dwelling, he is not a first-time buyer therefore he cannot make a claim for the relief on his LBTT return.

# Group Relief and Share Pledges

- [The Land and Buildings Transaction Tax \(Group Relief Modification\) \(Scotland\) Order 2018](#) (“the Order”) came into force on 30 June 2018
- Modifies schedule 10 of the Land and Buildings Transaction Tax (Scotland) Act 2013
- Adds a new paragraph 10A to schedule 10
- The changes introduced by the Order are only applicable to transactions where the effective date is on or after 30 June 2018

# Any Questions?

# Roundtable Discussion

Chris Myerscough

Head of Tax



# Roundtable discussion questions

1. What is your engagement with Revenue Scotland and what channels do you use to communicate with us (Email, telephone, website?)
2. What other sources apart from Revenue Scotland do you use to find out information on LBTT? (websites and organisations such as LSOS for e.g.)
3. What do you think of Revenue Scotland's published guidance on its website? What particular sections of the guidance do you find helpful, need improvement , would like expanded/created?
4. Are you aware of Revenue Scotland's social media channels – Twitter and YouTube?
5. Are there any additional ways we can communicate tax updates to you?

# Operational Update

Marcus Chalmers

Operations Manager

# Operational Update

- Penalties
- Debt
- Three-year Lease Review returns
- Reviews
- Errors and Omissions

# Penalties

- Increased amount issued
- Automated process
- Cancellation of penalties



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Email: [LBTT@revenue.scot](mailto:LBTT@revenue.scot)

Mr Joe Bloggs  
ABC Company  
1 Company Street  
Company City  
EH6 9BR

2 October 2017

## Penalty Assessment Notice Revenue Scotland and Tax Powers Act 2014 (RSTPA)

Your Land and Buildings Transaction Tax return and payment in respect of the following transaction were not received by the due date:

Transaction reference:  
Property address:  
Effective date:  
Filing and payment due date:  
Date return received:  
Total tax payable for this transaction: £xxx

Revenue Scotland has assessed that you are liable to penalties and interest of £xxx.

Penalty type	Legislation	Amount
First penalty for failure to make return	Sections 159 & 160 RSTPA	£xxx
3 month penalty for failure to make return*	Sections 159 & 161 RSTPA	£xxx
6 month penalty for failure to make return	Sections 159 & 162 RSTPA	£xxx
12 month penalty for failure to make return	Sections 159 & 163 RSTPA	£xxx
First penalty for failure to pay tax	Sections 168 & 169(2) RSTPA	£xxx
Second penalty for failure to pay tax	Sections 168 & 169(3) RSTPA	£xxx
Third penalty for failure to pay tax	Sections 168 & 169(4) RSTPA	£xxx

\* £10 per day from xx xxxx xxxx for xx days

Interest	Legislation	Amount
Interest on unpaid tax	Section 217 RSTPA	£xxx

If your payment, or any part of your payment remained outstanding after the date your return was received, you may be liable to further penalties and interest.

# Reviews

- Reviews have more than doubled since 2017-18
- Numerous reasons for reviews - we are issuing more appealable decisions
- Penalties can be cancelled if supporting evidence is provided
- Make payment when return is submitted & to the right account

# Debt Collection

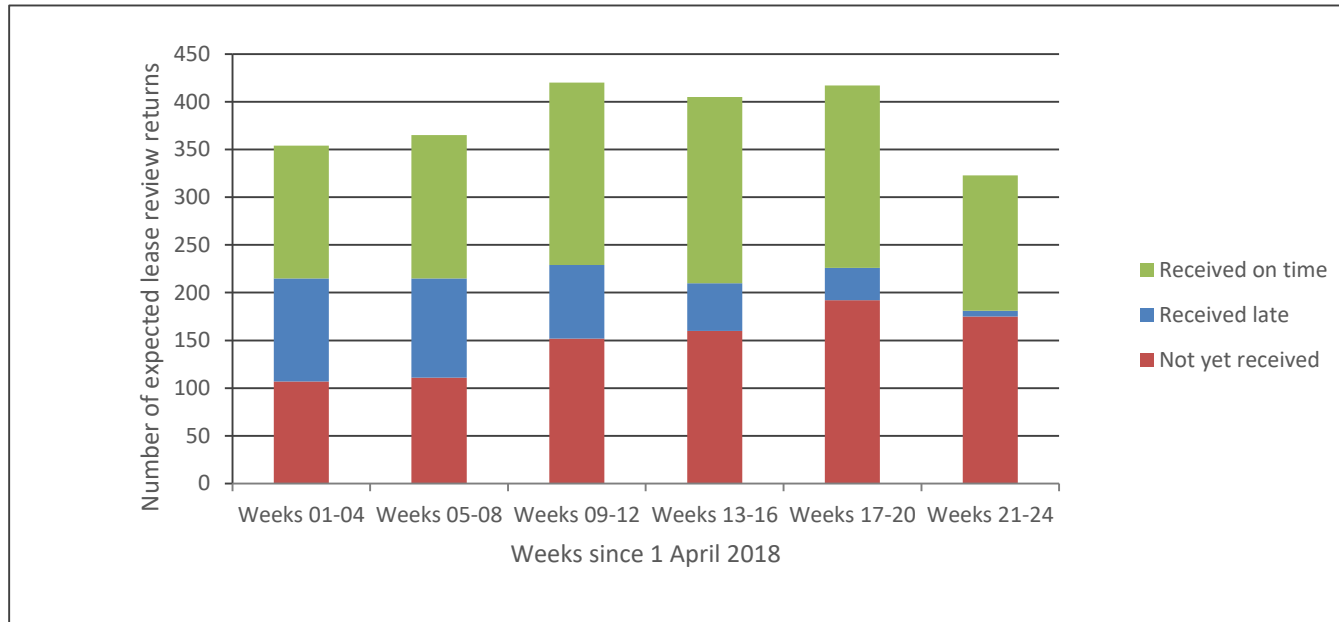
- Revised process
- Commenced Monday 29 October
- Contacting Taxpayers earlier in process
- Tax / Penalties must be paid by the due date (regardless of review or appeal) – unless postponement agreed.
- Arrangements satisfactory ([LBTT4008](#))

# Debt Collection

- Day 1 – Liability arises
- Day 14 – Phone call to agent
- Day 21 – Direct contact with debtor

# Three-Year Lease Review Returns

- Non statutory Reminder letters issued
- Daily penalties due to commence





# Common Errors and Omissions

- Correspondence address ([About the Buyer](#))
- Effective date / relevant date [LBTT1004](#) or [LBTT6002](#)
- Payments made using wrong taxpayer reference

# Contact Us

- Mailbox [lbtt@revenue.scot](mailto:lbtt@revenue.scot)
- [Opinions Service](#)
- [Secure messaging service](#)
- Support Desk – Tel: 03000 200 310

# Benefits

- Reduced penalties
- Less reviews
- Client satisfaction
- Lower costs

# Closing Remarks

Chris Myerscough

Head of Tax

# Thank you

## Q & A

# Find out more about Revenue Scotland

[About Us](#)

[Annual Report and Accounts 2017-18](#)

[Corporate Plan 2018-21](#)

[Revenue Scotland Board and Senior Management Team](#)

# Contact Us



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