

TAX CHANGES – FACT SHEET

Background:

Scotland is set to establish its **first tax collection system in 300 years**.

This follows changes brought in by the **Scotland Act 2012 and new tax Acts passed by the Scottish Parliament**.

The two taxes devolved to Scotland are: the **Land and Buildings Transaction Tax** and the **Scottish Landfill Tax**.

They will replace the existing Stamp Duty Land Tax and Landfill Tax and start on **April 1, 2015**.

Revenue Scotland will be responsible for collecting and managing the two devolved taxes, working closely with Registers of Scotland (RoS) to prepare for Land and Buildings Transaction Tax and with the Scottish Environment Protection Agency (SEPA) on Scottish Landfill Tax.

The two taxes are estimated to raise around **£558 million in 2015-16**. Scotland's block grant will be adjusted to recognise that these tax receipts will flow directly to Holyrood and not to the Treasury in London.

Proposals for the first devolved tax rates were **laid before the Scottish Parliament on October 9** as part of the annual Draft Budget process, so that Parliament can discuss and scrutinise the Government's proposals.

Land and Buildings Transaction Tax:

- This is the tax you pay when you buy property that is worth more than the tax-free threshold. It replaces Stamp Duty Land Tax.
- It will be collected by Revenue Scotland and paid in the same way as Stamp Duty – usually through a solicitor.
- **The current Stamp Duty Land Tax is calculated in 'slabs'** causing unfair tax hikes at set property prices. Many people in who work in finance and property say the old tax distorts the market. It can also lead people to try to avoid tax.
- For example – under Stamp Duty, the tax due on buying a house for £240,000 is £2,400, but on a house costing £260,000 the tax due is £7,800 - that's an increase of 225% in tax, even though the house price has increased by only 8%.
- This distorts the market and lots of properties are marketed just below the 'slab' thresholds.

- **The Scottish tax will be more proportionate to the house price** to make sure that the tax paid is directly related to the value of the property.

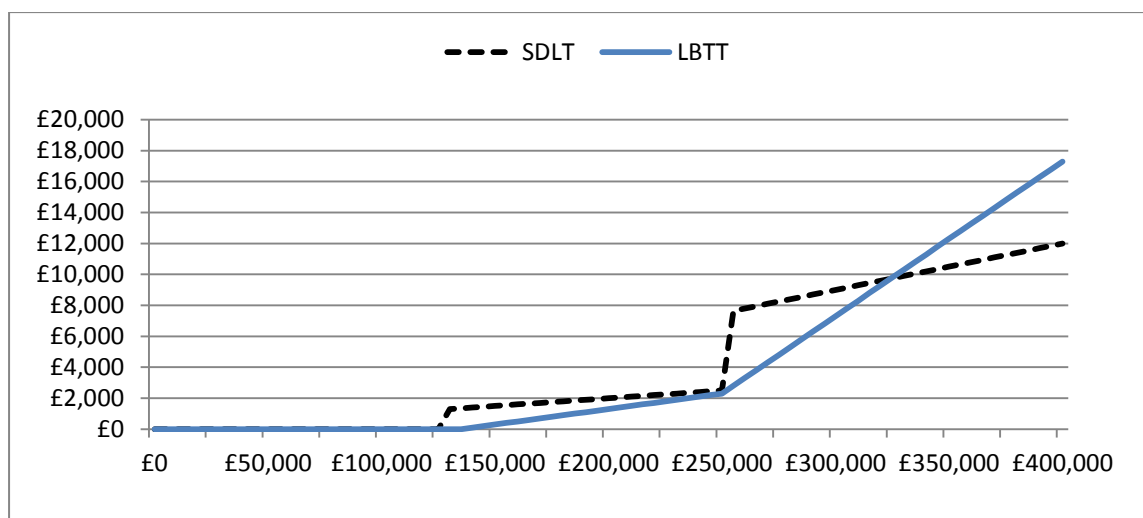
Changes:

Residential Transactions:

Cost	Rate
Up to £135,000	Nil
£135,001 - £250,000	2%
£250,001 - £1,000,000	10%
Over £1,000,000	12%

- **Only the proportion of the price above each tax threshold will be taxed at the next rate**, rather than the whole purchase price as is the case under Stamp Duty Land Tax.
- **So, every home will have the first £135,000 tax free. If the home is worth less than this amount, buyers will pay nothing.**
- This will mean that **the tax is fairer as it is based more closely on the buyer's ability to pay.**
- **This helps first time buyers and people who are less able to afford the tax.**
- The new rates mean that **90 per cent of homebuyers will either pay less or the same amount** as they would under current arrangements.
- Around **49,000 buyers each year will pay less tax** on their new homes – 5,000 of these buyers won't pay any tax at all under our proposals.
- The average house price in Scotland is £162,000 (based on April to June 2014). **People buying the average house are set to save £1,080 in tax.**
- **People buying the average house price in every local authority area will pay less in tax** than they do under current arrangements.

Comparison of tax charge under SDLT and LBTT



Examples:

A first time buyer, buying a house worth £130,000 would now pay nothing under the new tax. Under stamp duty they would have paid £1,300.

A couple buying a flat at £140,000 would now pay tax of £100 – saving £1,300 against stamp duty.

The tax charge on the average house price in Scotland (£162,000 in April to June 2014), will be reduced by £1,080. The tax charge would reduce from £1,620 to £540.

A couple buying a £238,000 home – the average detached property price in Scotland – would now pay £2,060. Under stamp duty they would previously have paid £2,380, giving them a saving of £320.

A family buying a £260,000 home would save £4,500 in tax. They would now pay £3,300 compared to a stamp duty charge of £7,800.

A family buying a home for £300,000 would pay £7,300 under the new tax. They would have paid £9,000 in stamp duty, giving them a saving of £1,700.

A family buying a home for £450,000 would pay £22,300 under the new tax. This would be a £8,800 increase on the £13,500 they pay currently.