

16 August 2023



SPF Response to call for Comments by the Scottish Parliament's Finance and Public Administration Committee

The Land and Buildings Transaction Tax (Green Freeports Relief) (Scotland) Order 2023 (SSI 2023/Draft)

Introduction: The Scottish Property Federation

The Scottish Property Federation (SPF) is the voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers.

Q1: To what extent do you consider that the provisions in this secondary legislation are necessary and will support the government objectives as set out above?

The green freeports offer an opportunity to enhance the sustainable investment propositions along the Firth of Forth and the Cromarty Firth. This is in line with the joint UK-Scottish government objectives for the Green freeports.

Full and partial relief are to be available for eligible transactions within the period beginning on 1 October 2023 and ending on 30 September 2028.

Q2: To what extent is this timeframe appropriate?

We welcomed the government's decision to postpone the starting point of the five year period, in order to align, so far as possible, with UK tax designation policies. However, we remain concerned that a five year timespan is simply too short for the nature of long term investment in the two green freeports. In addition, we note that the green freeports will not be fully operational until at least 2024 or perhaps even 2025. We therefore suggest that the qualifying period should be extended to at least 7 years.

The schedule to this secondary legislation sets out how the relief will operate.

Q3: To what extent are the following parts of the schedule appropriate:

- **the circumstances and conditions under which relief would be available**
- **the key terms as defined in the schedule**
- **the circumstances under which relief may be withdrawn**
- **the provisions relating to cases involving alternative finance.**

Broadly, we support the eligibility criteria set out in the Schedule. We remain concerned that the arrangements may prohibit relief being achieved by developers entering into forward funding arrangements with long term investors. This could be a significant issue as developers will need the cash flow of forward funders and the possibility that relief may not be achieved will take away some of the competitive attractiveness of a development proposition. We remain concerned that this could be a barrier to investment.

Q4: What, if any, impacts (such as on equalities or the environment) could arise from the operation of this secondary legislation?

There is a significant requirement for investment to improve the operational and built environment of both the areas selected. More than this, the requirements associated with green freeport status mean that the investments allowed will meet strict environmental and social policy criteria. We believe on this basis there is a strong case to be made that both the environment and the economy will benefit from the policy structure of Green freeports.

Q5: Have you any other comments related to this secondary legislation?

We support the establishment of Green freeports, but we feel it is important to maximise the opportunity of their five-year timespan. For this reason, we are concerned that given the long-term nature of major capital expenditure projects there simply may be insufficient time to attract, finance, plan and deliver the investments required to maximise the opportunity the Green freeports offer.