

Scottish Property Federation Monthly LBTT Update – October 2017

	Residential LBTT	Commercial LBTT	Total LBTT	ADS (Included in Residential LBTT Total)
Revenue in Oct	£33.3m	£18.8m	£52.1m	£11.0m
Oct 2017 vs Sep 2017	↓£1.6m	↑£4.5m	↑£2.9m	↑£0.6m
Oct 2017 vs Oct 2016	↑£4.2m	↑£2.2m	↑£6.4m	↑£2.6m
Revenue 2017/18 (YtD)	£233.6m	£97.9m	£331.6m	£70.7m

Summary

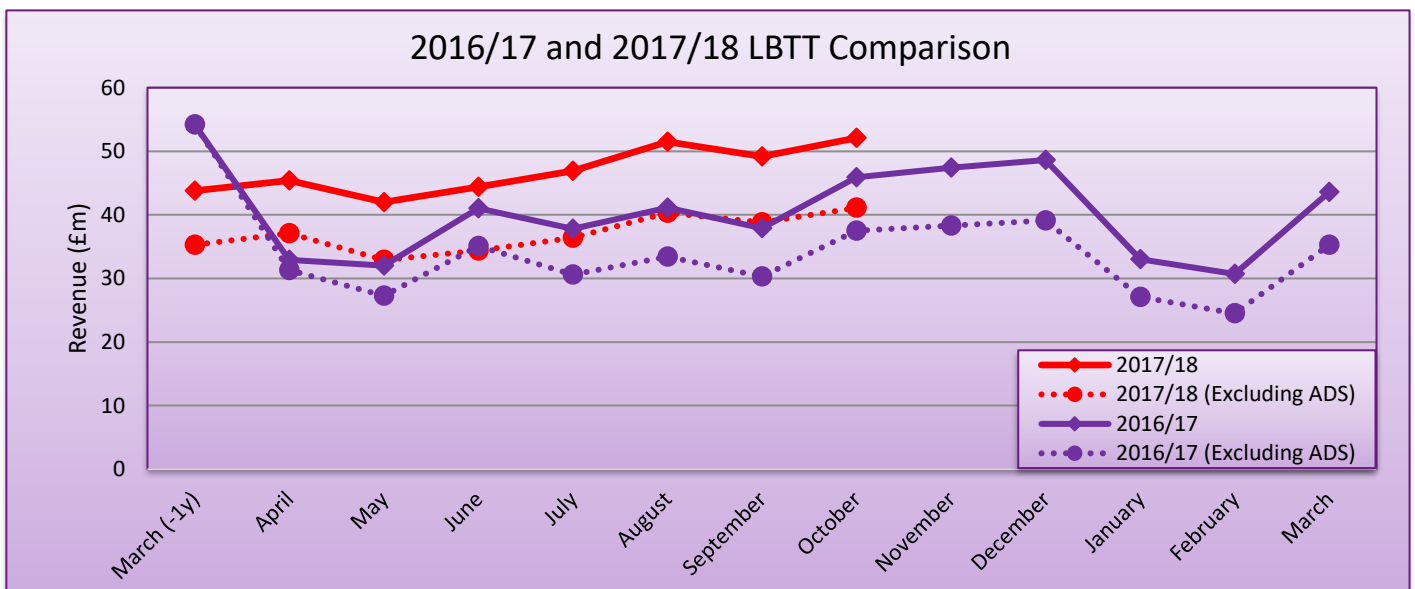
Scottish Government's revenue from the devolved Land and Buildings Transaction Tax (LBTT) rose by £2.9m in October to £52.1m – the second highest monthly total since the tax was introduced in 2015.

The Government will be happy to see that this year-to-date has seen **total LBTT** revenues of £331.5m. This is significantly higher than the revenue generated in the same period during 2016/17 and 2015/16, which saw LBTT revenues of £268.2m and £217.8m respectively.

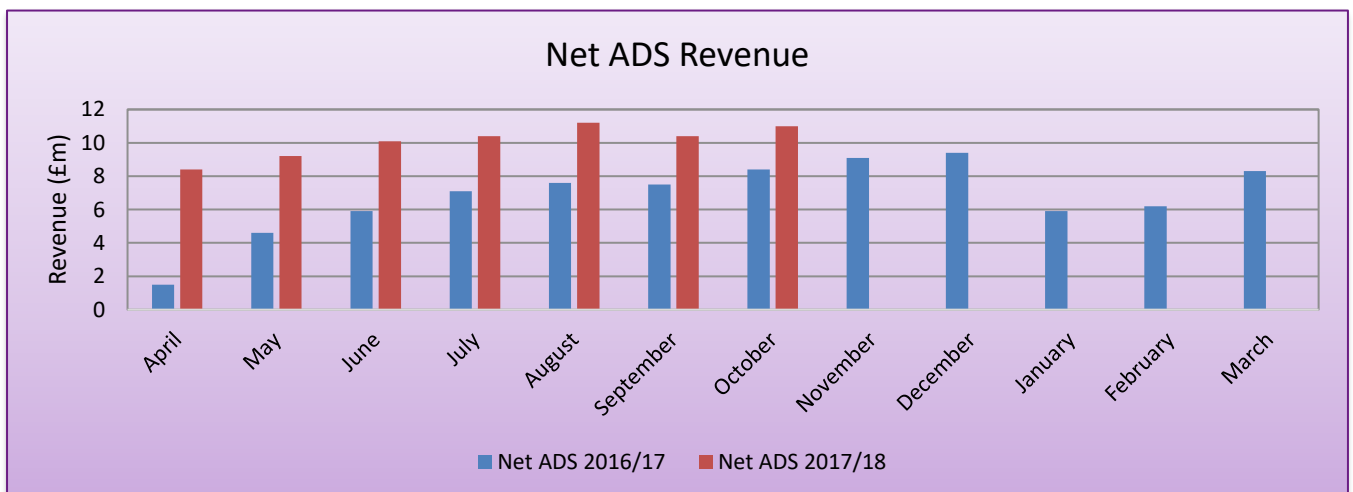
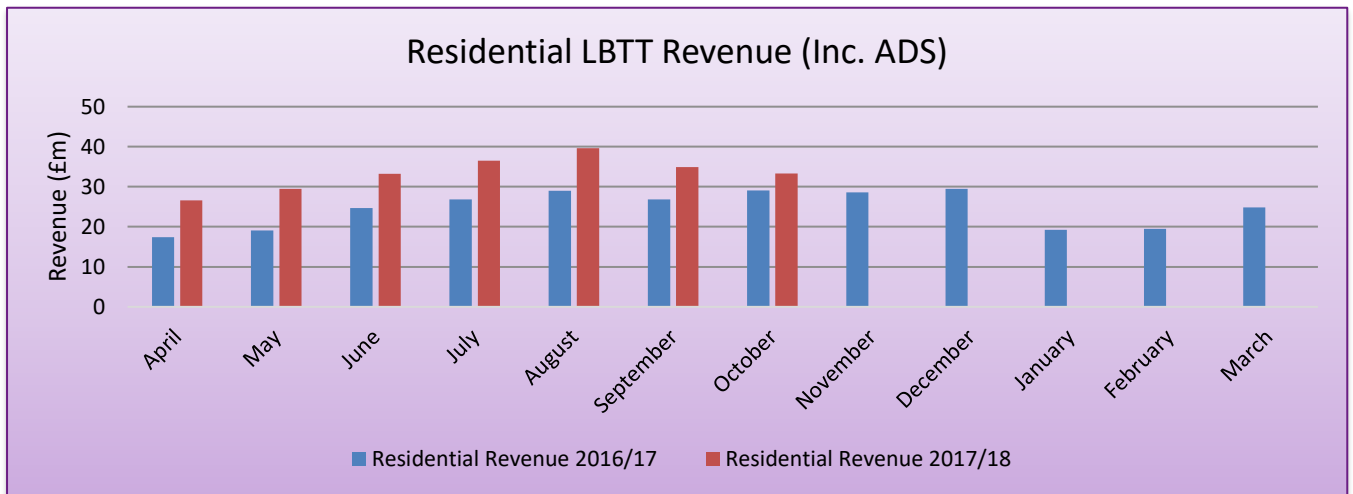
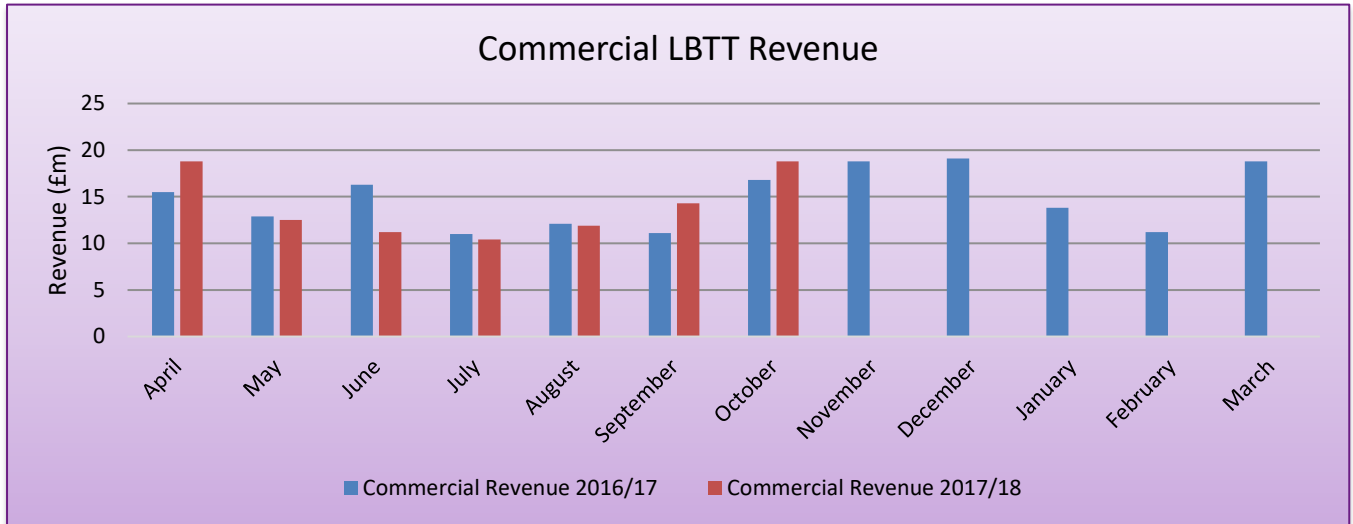
Revenue generated from the **residential** element of the tax fell for the second month in a row in October, falling by £1.6m to £33.3m. The fall in revenue appears to result from a decline in the numbers of properties sold at and over £325,000, which, after a few months of showing growth, have returned to May 2017 levels. Due to the Scottish Government's rates and thresholds for residential LBTT, much of the tax's revenue is derived from a relatively small number of sales at the upper end of the market.

ADS brought in £11m in October, this was £0.6 above September 2017 and £2.6m more than the same month in 2016.

LBTT revenue from **commercial** property sales in October rose by £4.5m on September to £18.8m – this is the third month in a row of revenue rises in commercial LBTT and signals a slightly improving commercial property market. Despite this notable rise in revenue, 2017/18 remains a relatively poor year for commercial LBTT revenue in Scotland.



Breakdown of LBTT Revenue (2016/17 & 2017/18)



Actual LBTT Revenue Versus Scottish Government Forecast

Total LBTT - The Scottish Government forecasted in its 2017/18 budget that LBTT would raise **£507m** (after reducing its initial expectations from £538m). The Scottish Government’s forecast averages out to £42.3m per month (not seasonally adjusted). So far, only May’s LBTT revenue has slipped below the Scottish Government’s target (by £0.3m). As it stands, the government has raised £331.6m, or 65%, of its forecasted total for LBTT.

Residential LBTT (excluding ADS) - The Scottish Government forecasted in its 2017/18 budget that Residential LBTT (excluding ADS) would raise **£211m**. So far, after 7 months, the government has raised £164m (78% of the target).

ADS - The Scottish Government predicted in its budget that ADS would generate **£72m** in 2017/18. The total raised to date is £70.7m - equating to 98% of the total forecast. Since coming into effect in April 2016, 17% of ADS paid has been reclaimed, therefore, we expect current net ADS totals to be revised downwards. However, we still expect the Scottish Government to reach its forecast for ADS in November – 4 months early.

Commercial LBTT - The Scottish Government forecasted in its 2017/18 budget that Commercial LBTT would raise **£224m**. So far, the government has only raised only £97.9m (44% of the target). Unless there is a substantial increase in commercial property transactions in the remaining months of this tax year, which is increasingly unlikely, the Scottish Government is likely to miss its forecast.

Figure 5 – Source: Revenue Scotland & Scottish Government

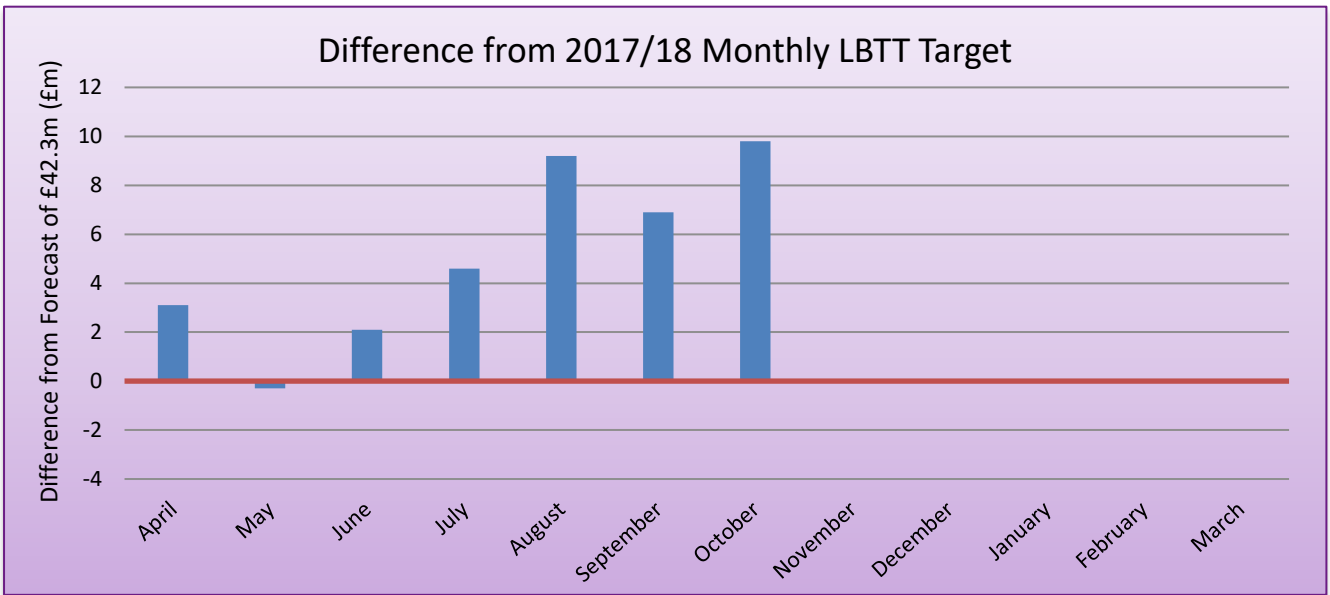


Figure 6 – Source: Revenue Scotland & Scottish Government

