

Land and Buildings Transaction Tax

Land and Buildings Transaction Tax (LBTT) is payable by the purchaser in a land transaction which occurs in Scotland. These types of transaction would include a simple conveyance of land such as buying a house but also creating a lease or assigning a lease.

Who pays the tax?

LBTT is payable by the purchaser in a land transaction occurring in Scotland.

What is a land transaction?

A transaction will trigger liability if it involves the acquisition of an interest in land. This will include a simple conveyance of land such as buying a house, creating a lease or assigning a lease.

When is the tax payable?

The tax has to be paid when a contract has been substantially performed. In cases where the purchaser takes possession of the property on completion, that will be the date. However, if the purchaser effectively takes possession before completion - known as 'resting on contract' - that will be regarded as triggering the tax.

Land and Buildings Transaction Tax

LBTT is payable on land and property transactions in Scotland with an effective date on or after 1 April 2015.

Residential property	Rate %
£0 - £145,000	0
£145,001 - £250,000	2
£250,001 - £325,000	5
£325,001 - £750,000	10
£750,001 and over	12

The rates apply to the portion of the total value which falls within each band.

Higher rates for additional residential properties

Higher rates of LBTT are charged in Scotland on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes.

The main target of the higher rates is purchases of buy to let properties or second homes. However, there will be some purchasers who will have to pay the additional charge even though the property purchased will not be a buy to let or a second home. The 18 month rules set out below will help to remove some transactions from the additional rates (or allow a refund). Care will be needed if an individual already owns, or partly owns, a property and transacts to purchase another property without having disposed of the first property.

The higher rates are three percentage points above the LBTT rates shown in the table above. The higher rates potentially apply if, at the end of the day of the purchase transaction, the individual owns two or more residential properties.

Land and Buildings Transaction Tax

Some further detail:

- purchasers will have 18 months to claim a refund of the higher rates if they buy a new main residence before disposing of their previous main residence
- purchasers will also have 18 months between selling a main residence and replacing it with another main residence without having to pay the higher rates
- a small share in a property which has been inherited within the 18 months prior to a transaction will not be considered as an additional property when applying the higher rates
- there will be no exemption from the higher rates for significant investors
- LBTT has been enacted with 18 month periods rather than 36 months which applies for Stamp Duty Land Tax (SDLT).

The Scottish government has LBTT calculators which work out the amount of LBTT payable. The calculators can be found at www.revenue.scot/land-buildings-transaction-tax/tax-calculators.

For transactions prior to 1 April 2015 see the factsheet on SDLT.

How we can help

If you are planning to enter into an arrangement to purchase land, we can advise you of the precise impact of LBTT on the transaction so please contact us.

Non-residential	Rate %
£0 - £150,000	0
£150,001 - £350,000	3
£350,001 and over	4.5

Ryecroft Glenton is registered to carry on audit work by the Institute of Chartered Accountants in England and Wales. Portland Financial Management is authorised and regulated by the Financial Conduct Authority, FCA firm reference number 114370. Tax treatment depends on the individual circumstances of each client and may be subject to change in future. Please remember the value of investments and the income from them can go down as well as up. You may not get back the full amount you have invested.

NEWCASTLE	MORPETH	ROTHBURY	WHITLEY BAY	PFM
32 Portland Terrace Newcastle upon Tyne Tyne & Wear NE2 1QP	55 Newgate Street Morpeth Northumberland NE61 1AY	Barclays Bank Chambers Rothbury Northumberland NE65 7SS	189 Park View Whitley Bay Tyne & Wear NE26 3RD	29 Portland Terrace Jesmond Newcastle upon Tyne NE2 1QS
Tel: 0191 281 1292 Fax: 0191 212 0075	Tel: 01670 512102 Fax: 01670 510385	Tel: 01669 620360 Fax: 01669 622854	Tel: 0191 252 1849 Fax: 0191 297 1204	Tel: 0191 281 6074 Fax: 0191 281 5396
This material is published for the information of clients. It provides only an overview of the regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material can be accepted by the authors or the firm.				
10/17				