

These notes relate to the Land and Buildings Transaction Tax (Scotland) Act 2013 (asp 11) which received Royal Assent on 31 July 2013

LAND AND BUILDINGS TRANSACTION TAX (SCOTLAND) ACT 2013

EXPLANATORY NOTES

THE ACT

Part 3 – Calculation of Tax and Reliefs

Amount of tax chargeable

Section 25 – Amount of tax chargeable

69. This section sets out how to calculate the tax due in relation to a single transaction that is not a linked transaction.
70. Under the “slab” system of SDLT, tax is charged at the applicable rate on the whole consideration for the transaction. For example, if a house is sold for £240,000 the SDLT due is 1% of the whole amount while for a house costing £260,000, the SDLT due is 3% of the whole amount. By contrast, this section (read with section 24) provides for a “progressive system” that includes a nil rate band and at least two other bands. This structure will mean that only the portion of the consideration above the threshold and within the band will be liable to the higher rate of the band. LBTT is therefore to be calculated in a similar way to UK Income Tax.
71. The tax rates and bands which are applicable to the transaction will depend on whether it is a residential property transaction or a non-residential property transaction.
72. Defined terms used in this section:

“chargeable consideration”	section 17 and schedule 2
“chargeable transaction”	section 15

Example: Amount of tax chargeable on a house bought for £260,000

Tax due under SDLT

The rate of tax under SDLT for such a purchase is 3%. So the tax payable would be—

$$£260,000 \times 3\% = £7,800$$

Tax due under LBTT using scenario 1

Under scenario 1 outlined in paragraphs 287 to 289 of the Financial Memorandum accompanying the Land and Buildings Transaction Tax (Scotland) Bill at introduction, the applicable rates for the transaction would be:

Not more than £180,000	0%
Over £180,000 but not more than £1.5m	7.5%

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Over £1.5m	10%
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Applying the calculation in section 25(1), the amount of tax payable would be:

$$(\text{£}180,000 \times 0\%) + (\text{£}80,000 \times 7.5\%) + (\text{£}0 \times 10\%) = \text{£}6,000$$

Tax due under LBTT using scenario 2

Under scenario 2 outlined in paragraphs 290 and 291 of the Financial Memorandum accompanying the Land and Buildings Transaction Tax (Scotland) Bill at introduction, the applicable rates for the transaction would be—

Not more than £125,000	0%
Over £125,000 but not more than £250,000	2%
Over £250,000	9.5%

Applying the calculation in section 25(1), the amount of tax payable would be:

$$(\text{£}125,000 \times 0\%) + (\text{£}125,000 \times 2\%) + (\text{£}10,000 \times 9.5\%) = \text{£}3,450$$