

LAND AND BUILDINGS TRANSACTION TAX (SCOTLAND) ACT 2013

EXPLANATORY NOTES

THE ACT

Part 3 – Calculation of Tax and Reliefs

Amount of tax chargeable

Section 26 – Amount of tax chargeable: linked transactions

73. [Section 26](#) applies instead of section 25 where a chargeable transaction is one of a number of linked transactions. The amount of tax due on the total consideration for all the linked transactions is calculated first and then that tax is apportioned to the transaction in question on the basis of the chargeable consideration for the transaction.
74. Defined terms used in this section:

“linked transaction”	section 56
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Example: Amount of tax chargeable on a number of linked transactions

A developer agrees to buy three plots of land from a farmer and buys them in three separate transactions on the same day. The consideration given for each plot is:

Plot A	£100,000
Plot B	£200,000
Plot C	£300,000

Because the three transactions are linked, section 26 applies for the purposes of calculating the tax due in relation to each transaction.

Applying the calculation set out in section 26(1) to each transaction in turn gives the following results under the scenario for non-residential property transactions outlined in paragraphs 292 and 293 of the Financial Memorandum accompanying the Land and Buildings Transaction Tax (Scotland) Bill at introduction. The rates and bands under that scenario are:

Not more than £150,000	0%
Over £150,000 but not more than £250,000	3%
Over £250,000	4.4%

Plot A

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

To calculate the tax on an individual linked transaction, the total tax chargeable on the total consideration for all the linked transactions must be calculated first. Following Steps 1 and 2, the total tax chargeable on £600,000 would be:

$$(\text{£}150,000 \times 0\%) + (\text{£}100,000 \times 3\%) + (\text{£}350,000 \times 4.4\%) = \text{£}18,400$$

The amount of tax payable in relation to Plot A would therefore be (following Steps 3 and 4)—

$$\text{£}18,400 \times \text{£}100,000/\text{£}600,000 = \text{£}3,067$$

Plot B

Using the total tax chargeable calculated in relation to Plot A, the amount of tax payable in relation to Plot B would be:

$$\text{£}18,400 \times \text{£}200,000/\text{£}600,000 = \text{£}6,133$$

Plot C

Again using the total tax chargeable calculated in relation to Plot A, the amount of tax payable in relation to Plot C would be:

$$\text{£}18,400 \times \text{£}300,000/\text{£}600,000 = \text{£}9,200$$

Note that, had the three plots been purchased in a single transaction, section 25 would have applied instead and the tax payable (on the same scenario) would have been £18,400, i.e. the same as the total tax payable in the example.