

SCHEDULE 19 LEASES

PART 2

AMOUNT OF TAX CHARGEABLE: RENT

Tax rates and tax bands

- 3 (1) The Scottish Ministers must, by order, specify the tax bands and the percentage tax rates for each band applicable to chargeable consideration which consists of rent.
- (2) An order under sub-paragraph (1) must specify—
- (a) a nil rate tax band and at least one other tax band,
 - (b) the tax rate for the nil rate tax band, which must be 0%, and
 - (c) the tax rate for each tax band above the nil rate tax band so that the rate for each band is higher than the rate for the band below it.

Amount of tax chargeable in respect of rent

- 4 The amount of tax chargeable on so much of the chargeable consideration as consists of rent is to be determined as follows.

Step 1

Calculate the net present value (NPV) of the rent payable over the term of the lease (see paragraph 6).

Step 2

For each tax band, multiply so much of the NPV as falls within the band by the tax rate for that band.

Step 3

Calculate the sum of the amounts reached under Step 2.

The result is the amount of tax chargeable in respect of rent.

Amount of tax chargeable in respect of rent: linked transactions

- 5 Where a chargeable transaction to which this schedule applies is one of a number of linked transactions for which the chargeable consideration consists of or includes rent, the amount of tax chargeable in respect of the rent is to be determined as follows.

Step 1

Calculate the total of the net present values (TNPV) of the rent payable over the terms of all the leases (see paragraph 6).

Step 2

For each tax band, multiply so much of the TNPV as falls within the band by the tax rate for that band.

Step 3

Calculate the sum of the amounts reached under Step 2.

The result is the total tax chargeable in respect of rent.

Step 4

Divide the net present value of the rent payable over the term of the lease in question by the TNPV.

Step 5

Multiply the total tax chargeable in respect of rent by the fraction reached under Step 4.

The result is the amount of tax chargeable in respect of rent for the lease in question.

Net present value

- 6 The net present value (NPV) of the rent payable over the term of a lease is calculated by applying the following formula—

$$NPV = \sum_{i=1}^n \frac{r_i}{(1+T)^i}$$

where—

- r_i is the rent payable in respect of year i ,
- i is the first, second, third etc. year of the term of the lease,
- n is the term of the lease, and
- T is the temporal discount rate (see paragraph 7).

Temporal discount rate

- 7 (1) For the purposes of this schedule the “temporal discount rate” is 3.5% or such other rate as may be specified by the Scottish Ministers by order.
- (2) An order under this paragraph may—
- (a) specify a rate or make provision for any such rate to be determined by reference to such rate or the average of such rates as may be referred to in the order,
 - (b) provide for rates to be reduced below, or increased above, what they otherwise would be by specified amounts or by reference to specified formulae,
 - (c) provide for rates arrived at by reference to averages to be rounded up or down, and
 - (d) provide for circumstances in which alteration of a rate is or is not to take place.