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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. Stamp Duty Land Tax (SDLT) applies to land transactions in England and Northern Ireland and Land Transaction Tax (LTT) applies in Wales.

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.

Residential rates of LBTT

The Scottish government has announced the threshold at which LBTT is paid will be temporarily raised from £145,000 to £250,000. This applies from 15 July until 31 March 2021.

Residential property	Band % Rate
£0 - £250,000	0
£250,001 - £325,000	5
£325,001 - £750,000	10

£750,001 and over	12
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The rates apply to the portion of the total value which falls within each band.

First-time buyer relief

A LBTT relief applies for first-time buyers of properties up to £175,000. The relief raises the zero tax threshold for first-time buyers from £145,000 to £175,000, and, according to the Scottish government, 80% of first-time buyers in Scotland will pay no LBTT at all. First-time buyers purchasing a property above £175,000 also benefit from the relief on the portion of the price below the threshold. So all first-time buyers will benefit from a relief of up to £600.

First-time buyer relief will not be applicable during the period where the temporary increase in the threshold at which LBTT is paid applies.

Higher rates for additional residential properties

Higher rates of LBTT are charged 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 4% above those 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.

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 includes an 18 month period rather than 36 months which applies for Stamp Duty Land Tax (SDLT).

Non-residential rates of LBTT

Non-residential	Band % Rate
£0 - £150,000	0

£150,001 - £250,000	1
£250,001 and over	5

Different bands and rates apply prior to 25 January 2019.

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.

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.