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LAND AND BUILDINGS TRANSACTION TAX

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FACTSHEET

LAND AND BUILDINGS TRANSACTION TAX

Land and Buildings Transaction Tax (LBTT) is payable on the acquisition of a chargeable interest of land or buildings in Scotland. It replaces UK Stamp Duty Land Tax (SDLT) for transactions in Scotland from April 2015.

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 includes a simple conveyance of land such as buying a house, creating a lease or assigning a lease.

WHEN IS THE TAX PAYABLE?

Individuals must send an LBTT return and pay the tax due to Revenue Scotland within 30 days of the day after completion (or other effective date of the transaction). Penalties and interest may be charged if you fail to file your LTT return or pay the necessary tax within the 30 days after the day of completion.

The effective date of the transaction is 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 rates of LBTT which apply from 1 April 2021 are set out in the following table:

Residential property	Band % 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.

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. First-time buyers purchasing a property above £175,000 also benefit from the relief on the portion of the price below the threshold. All first-time buyers will benefit from a relief of up to £600.

ADDITIONAL DWELLING SUPPLEMENT (ADS)

The ADS is charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes.

The main target of the ADS 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 36 month rules set out below will help to remove some transactions from the additional rates (or allow a refund). The 36 month timeframe was extended from 18 months with effect from 1 April 2024. 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 ADS is an additional charge of 8% of the purchase price, having increased from 6% from 5 December 2024. The ADS applies 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 36 months to claim a refund of the ADS if they buy a new main residence before disposing of their previous main residence.
- Purchasers will also have 36 months between selling a main residence and replacing it with another main residence without having to pay the ADS, if they also own another property which is not their main residence.
- A small share in a property which has been inherited within the 36 months prior to a transaction will not be considered as an additional property when applying the ADS.
- There will be no exemption from the higher rates for significant investors.

NON-RESIDENTIAL RATES OF LBTT

Non-residential	Band % Rate
£0 - £150,000	0
£150,001 - £250,000	1
£250,001 and over	5

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.

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