

Expert Advisory Group on Tax on Land and Property

Summary Note of Meeting 1

Thursday 10th December 2020

Present: Charlotte Barbour, Graeme Blackett, Miriam Brett, Shona Glenn, Phil Prentice, Don MacLeod, Lorne MacLeod (Chair), David Melhuish, Jeremy Moody, Kathie Pollard (Project Manager), Ailsa Raeburn

In Attendance: Lawrence Newland and Elisabetta Pasini (Alma Economics)

Apologies: None

The Chair welcomed all to the first meeting of the Expert Advisory Group on Tax on Land and Property. Attendees briefly introduced themselves.

Overview of Approach

The Land Commission introduced the background and wider context for the work on tax and the role of the Expert Advisory Group in shaping proposals for the Land Commission to consider and put forward to Scottish Ministers in 2021. The work aims to identify changes to the tax system to support recovery and renewal, particularly in relation to town centre regeneration, promoting active land use and diverse ownership. In its 2020-21 Programme for Government the Scottish Government asked the Land Commission to provide advice on how land can be factored into its economic thinking and to explore new policy levers that could shape land markets in a way that will help support recovery and build resilience.

The Expert Advisory Group has been assembled to help shape and provide advice to the Commission on the long-term options for reform of Scotland's land and property. The Land Commission explained that Alma Economics had been commissioned to research and model options for immediate reform of land and property taxes that are within the competency of the Scottish Parliament to help address some of the immediate consequences of the pandemic and support the economic recovery. The group would be invited to provide feedback and consider the findings of these options as part of its remit.

The group was presented with an overview and plan for the next meetings of the Expert Advisory Group. The meetings would cover options for immediate reform and set out an approach for looking at longer term reforms, including developing principles that would underpin these.

Alma Economics Research

Following a presentation on the findings of the research to date which scoped out initial options for reform of tax on land and property in Scotland (published on the 10th December 2020) the group was invited to provide feedback on more detailed options for reform that seek to encourage the development and re-development of properties and land and encourage a more diverse pattern of landownership.

Clarification was sought on the scope of the taxes considered by the project. The intention is to use the group to provide views on reforms of existing taxes on land and property that are within the Scottish Parliament's competency, and to also contribute ideas for longer term reforms that may include reserved taxes. It was suggested that there are taxes on the Scottish statutes book that have not been fully introduced which may merit further consideration by the group.

A wide-ranging discussion about the detailed options for reform and other related issues followed. The following points were raised:

- Proposals for changing existing taxes on property and land that aim to encourage the development or redevelopment of properties should be mindful of the impact on prices and transactions as well as unintended consequences on behaviours which may affect the property market.
- The importance of clarity on the objectives of the proposed reforms was raised. Definitions and legal implications, for example, how they might relate to other areas of the law would also need to be carefully considered.
- The wider public finance context was discussed. It was noted that well targeted taxes have the potential to create greater public finance effects in the longer term and impact other areas such as income and corporation tax.
- Details such as the scope, generosity and duration of any proposed relief or charge are important points for consideration. The nature of exemptions and mandatory reliefs should also be looked at to help ensure balance.
- The potential of taxes on land and property being able to contribute to town centre renewal, recovery and a green agenda was discussed. Specific examples of how tax on land and property could directly support climate change and net-zero objectives were mentioned.

Other issues that were raised related to the role of tax on land and property in aligning with and supporting a future vision for rural and urban Scotland. These included discussions about:

- The future of the high street and how the options for reform can enable greater diversity of ownership and use of property and land, and encourage small businesses, community groups and groups with a social purpose to take the lead on redevelopment/development.
- Consideration of the potential effects of tax in addressing monopolistic and concentrated landownership patterns in both a rural and urban setting.
- Wider changes in the rural economy including the increase in investment in carbon sequestration activities and changes to farm payments.
- Various tax options were discussed in relation to the impact of second and holiday homes on local communities.

Wider Engagement and Participation

The group considered various methods of undertaking wider stakeholder and public engagement to help inform the proposals. There was consensus that accessible language was important.

The next Expert Advisory Group meeting is scheduled to place in January 2021.