



### **Devolved Tax Policy Framework – Homes for Scotland Draft Response**

As a membership organisation representing over 200 companies which together deliver 95% of all new homes built each year in Scotland, our primary focus in responding to this consultation relates to the home building industry's relationship with the Land Buildings and Transaction Tax, one of Scotland's two main devolved taxes. As the operation and performance of LBTT rates effect not just purchasers of new homes, but also the tax payable on land transactions by our home builder members, a transparent clear policy framework that creates long-term certainty and consistency is one of the pivotal factors in ensuring that we can deliver more of the new homes that Scotland needs to meet the growing aspirations of our country.

#### **Q1: Do you welcome the use of the DTC as an annual tax forum and agree with its stated purpose?**

In general Homes for Scotland is supportive of the use of the Devolved Tax Collaborative to consult with a broad range of stakeholders on the evolution and performance of devolved taxes to gain representative views from as many concerned sectors as possible. However, we believe there is still a requirement to maintain focused forums specialised on specific devolved tax, such as the LBTT Forum, wherein specialist knowledge and experience from stakeholders concerned in the day to day operational matters of its performance can be evaluated fully.

#### **Q2: Do you have any other preferences as to how the Scottish Government should carry out engagement on the fully devolved taxes?**

We believe that further work could be done to promote the work of specialised forums such as Revenue Scotland's LBTT Forum, feedback from our members suggests many of them were not aware of its function, despite the fact that the home building industry is directly affected by the tax.

#### **Q3: Do you support the Scottish Government's proposed approach to tax consultation, in particular consulting on issues collectively rather than on an individual basis?**

This approach could be useful to look at the cumulative impact of taxes which may not be considered elsewhere. Homes for Scotland agrees with the proposed approach to tax consultation, echoing our previous comments in Q1/Q2; it is beneficial to gather a wide range of stakeholder views to gauge representative views from various sectors on general reform of devolved tax. We would however strongly emphasise the need to consult and carry out extensive engagement with industry and stakeholders on specific devolved tax. In the case of Land Buildings Transactions Tax, engagement with bodies such Homes for Scotland, Scottish Property Federation and others is imperative to ensure the views of the industries affected by the operation and performance of LBTT is clearly articulated and understood at a national level.

#### **Q4: What are your views on the proposed policy cycle?**

**Q5: What are your views on how frequent the cycle should occur – annually or every two years?**

In general Homes for Scotland are supportive on the principles of the proposed policy cycle. However, whilst noting throughout the various phases of the cycle the different opportunities for stakeholder engagement we have concerns over:

- Phase 1: Devolved Tax Collaborative – Research and Analysis

What level of engagement will this involve? Does this constitute one meeting of the Devolved Tax Collaborative, or will further meetings be held dependent on the issues raised in terms of complexity and impact? Further, throughout the research and analysis period, will Scottish Government continue to liaise with stakeholders before coming to any proposed tax measures in the budget at the end of phase 1?

- Phase 2: Consultation – Policy and legislative development

We note within the proposed framework that this phrase will be “characterised by continuous engagement with individuals, practitioners and professional bodies”, which is welcomed. Again, reflecting similar concerns outlined earlier, we believe the consultation period should be flexible in terms of length dependent on the complexity and scale of any proposed changes to devolved tax, and reflected with consultation engagement sessions between Scottish Government and any concerned stakeholders.

- Phase 4: Post-implementation review

Noting that within the proposed cycle, the post-implementation review is scheduled to take place three years after the legislation taking effect. We have concerns that, again, depending on the complexity or scale of the legislation that has been passed, that three years is too long in terms of evaluating what impact a policy may have. Any unintended consequences must be able to be picked up earlier.

Regarding the frequency of the proposed cycle, considering our concerns for the need for possible extensions to stakeholder engagement (dependent on scale of proposed policy), and the length of time required for any industry or sector to adjust to any possible legislative change. We believe that the policy cycle should occur no more frequently than every two years and that consideration should be given to extending this cycle, to ensure there is long term consistency and stability going forward. However, there should be an inbuilt mechanism to allow for review should major previously unforeseen events require addressing.

**Q6: Do you consider the existing documents that are published, and the Scottish Government’s approach to drafting them, as a sufficient means of clarifying the intention and impacts of a policy?**

No comment.

**Q7: Do you agree with the Scottish Government’s approach to the circumstances set out in this section?**

We appreciate that, as set out within the consultation, changes in tax jurisdiction may be required at short notice without advance consultation in extreme circumstances. However, when this does occur, we would emphasise that any changes made should be closely monitored thereafter with frequent engagement with any industry or individuals that could be affected to ensure that changes are having their desired affect and further that this isn’t having an adverse outcome on business.

However, we would highlight the importance of close, frequent engagement throughout the devolved tax policy cycle could help in preventing such situations arising, therefore consultation should remain as a significant requirement to ensure the long-term consistency industry needs