

7th March 2016

Mr Kenneth Gibson MSP
Convener
Finance Committee
By email



Dear Kenneth,

Thank you for the opportunity to respond to recommendations in the Stage 1 Report on the Land and Buildings Transaction Tax (Amendment) (Scotland) Bill. There are two areas which refer to the Scottish Fiscal Commission (SFC) directly, paragraph 27 and paragraphs 114-115.

Paragraph 27 This recommendation requests that the SFC provides a commentary in November, after six months of outturn data for the supplement are released, including an analysis of the impact of forestalling.

As with the other devolved taxes, the SFC plans to analyse outturn data relative to the forecast. A complication when conducting such an exercise for the LBTT supplement using part-year outturn data is that there are no historical data with which to identify a typical seasonal pattern in tax receipts from the supplement. This makes it difficult to assess whether or not any discrepancy between forecast and outturn is due to an underlying forecast error or an unknown seasonal pattern in this sub-part of the market. Nevertheless, we shall attempt to shed as much light as possible on the operation of the supplement as the outturn data are released.

Paragraphs 114-115 In this section, you cite the SFC's statement in relation to uncertainties in assessing the impact of this tax due to the lack of data for this small part of the housing market. And you ask for suggestions for improving the forecasting methodology.

As the citation states, the SFC's view is that the Scottish Government's forecast of revenues from the supplement was reasonable, but subject to significant uncertainties. These uncertainties did not stem from a flawed forecast methodology but, as stated, from a lack of available data specific to this relatively small section of the market. The SFC will explore whether or not there are any additional data sources which can facilitate the reduction of the uncertainties associated with this forecast.

I trust this note responds to your concerns, but do please let me know if you have any other questions.

Sincerely yours,

A handwritten signature in blue ink that reads "Susan Rice".

Lady Susan Rice