A solid orange right-angled triangle pointing downwards and to the right.

Kenny Gibson MSP  
Convener  
Finance and Public Administration Committee  
Scottish Parliament  
Edinburgh  
EH99 1SP

22 December 2022

Dear Convener

During our evidence session on Tuesday, 20 December I offered to write to provide the Committee with further information on two points.

The first concerns the taxes as a proportion of GDP. During the session we discussed the potential difficulties in calculating and interpreting a measure for devolved taxes in Scotland along these lines. We also discussed a UK wide measure and you asked what the value would be in 2027-28. Chart 15 of the [latest OBR report](#) shows that they forecast a post-measures ratio of 37.1 percent in 2027-28.


The second issues concerns our costing of the change in the ADS rate on residential LBTT described in Annex A of our report where Ms Smith asked if we have taken account of recent developments in the rental market that may discourage the purchase of residential properties for let.

The behavioural element of our costing was based on OBR elasticities that were updated in 2017. We do not explicitly include the impact of rent caps and eviction moratoria as it the Commission's view that recent policies in the private rental market are likely to be relatively small in terms of their impact on ADS and LBTT receipts.

Although there is some informal evidence that private landlords are leaving the rental market this may lead to additional transactions that are liable for LBTT as properties are sold for other uses. In part, this is also likely to be due to landlords responding in ways that offset some of the direct impact of rent caps, for example, the reported increase in up-front payment of rents at the start of leases.

I hope this additional information is useful.

Yours sincerely

A handwritten signature in black ink that reads "Graeme Roy".

Professor Graeme Roy