

SCOTTISH PARLIAMENT FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
BUILDING SAFETY LEVY (SCOTLAND) BILL
WRITTEN EVIDENCE - RESPONSE FROM REVENUE SCOTLAND

1. Revenue Scotland

1.1 Revenue Scotland (RS) welcomes the opportunity to contribute to the Finance and Public Administration Committee's call for evidence on the Building Safety Levy (Scotland) Bill (the 'Bill').

1.2 RS is the tax authority responsible for the collection and management of the devolved taxes, currently Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). These taxes came into effect on 1 April 2015, replacing their UK equivalents (Stamp Duty Land Tax and UK Landfill Tax respectively). From 1 April 2026 we shall also be responsible for the collection and management of Scottish Aggregates Tax (SAT). If this current Bill is enacted, Scottish Building Safety Levy (SBSL) will constitute Scotland's fourth devolved tax. Revenue Scotland recognises the vital importance of the Scottish Government's Cladding Remediation Programme and the role that SBSL will play in contributing funds to that programme.

1.3 RS was established by the Revenue Scotland and Tax Powers Act 2014 (RSTPA) as a Non-Ministerial Office on 1 January 2015. RS is governed by a Board, is part of the Scottish Administration and is accountable to Parliament to ensure that the collection and management of the devolved taxes is independent, fair, and impartial. As part of that accountability, we lay our Corporate Plan before the Parliament on a 3 yearly cycle.

1.4 RS is not responsible for tax policy issues such as the setting of tax rates and bands or the forecasting of tax revenues, which are the responsibility of the Scottish Government and Scottish Fiscal Commission, respectively. Nonetheless Revenue Scotland has and continues to give advice, support, and assistance to the Scottish Government in relation to the practical impact on the administration of the tax regime contemplated by this Bill. However, those policy considerations and advice to Ministers ultimately remain the role of the Scottish Government. In that context, this response to the Committee's call for evidence focuses primarily on the proposed administrative arrangements for the collection and management of Scottish Building Safety Levy (SBSL).

2. Background - Revenue Scotland's approach to tax administration

2.1 The Committee will be aware of the four 'Adam Smith principles' of taxation (certainty, efficiency, convenience, and taxes that are proportionate to the ability to pay) which form the basis of our approach to the collection and management of the devolved taxes. In addition to those principles, our commitment to a digital approach to the collection of tax and a strong commitment to working collaboratively with stakeholders, have shaped the design and delivery of the operation of the taxes we manage. This proven approach has been instrumental in our successful launch and operation to date.

2.2 These comments on collaboration and effective design and delivery are also aligned with the Scottish Government's Framework for Tax "Principles of good tax policy making" which in addition to the Adam Smith principles also includes Engagement and Effectiveness

as key values.

2.3 Our work on implementing SBSL has reinforced the benefits to be achieved from the close working by all those with an interest, including the Parliament, Scottish Government, ourselves, and stakeholders. We have sought to apply that learning (drawn from our experience on previous devolved taxes) to our involvement in SBSL.

3. Work to date

Revenue Scotland's involvement in the Bill process

3.1 It is important for taxpayers and public revenues that the legislative scheme is clear, certain and provides a framework for effective and efficient compliance and administration. We have therefore liaised closely with Scottish Government's Bill team to understand the proposals for SBSL.

3.2 This has included work on the development of the consultation paper launched on 23 September 2024. Working alongside the Bill team we have been closely involved in stakeholder engagement and discussions with industry representatives through being key members of the relevant working groups and engaging in focussed discussions on specific topics.

3.3 Our primary interest is the arrangements for payment, collection, and management of the tax. The framework is set out at Parts 4-6 of the Bill. We played a key role in assisting with the development of the provisions in the Bill. We understand that elements of the administrative machinery will be set out in secondary legislation and we are working closely with the Scottish Government to ensure that the legislation supports the development of a clear, efficient, and convenient system for administering the tax.

3.4 A number of other elements of the overall legislative framework will also come forward in secondary legislation, for example transitional rules and rules governing the registration and tax return process. Again, we are working closely with the Bill team to develop these components of the overall tax regime.

4. Establishment of the programme

4.1 The Revenue Scotland New Devolved Taxes Programme was originally established in July 2023 to oversee the delivery of SAT. The same team that was formed to develop SAT has evolved to also deliver SBSL.

4.2 Our programme management approach is based on the Scottish Government's Principles for Programme and Project Management best practice principles and experience distilled from our successful delivery of SLfT and LBTT (2015), the Additional Dwelling Supplement (ADS) for LBTT (2016) and work done in preparation for the commencement of Air Departure Tax (2017) and SAT (2023-present).

4.3 The programme board is accountable to the Revenue Scotland Head of Tax as Senior Responsible Officer (SRO) and includes staff from various of our in-house teams and heads of the relevant Scottish Government policy teams. The programme board membership that was in place to handle SAT has been changed to additionally accommodate SBSL. Representatives

from COSLA and the Welsh Revenue Authority were supplemented by representatives from Local Authority Building Standards Scotland (LABSS), and the Local Authority Improvement Service (IS). Review of the Board make-up will continue as we proceed. This will ensure appropriate experience and knowledge is available to address each phase of the programme. The SRO provides assurance to the Chief Executive and Accountable Officer and the Revenue Scotland Board for the delivery of the programme.

4.4 The SBSL project consists of four workstreams:

- (a) **Tax Design** – responsible for defining operational requirements, data requirements, organisational design, and delivery of the required products, including guidance, to the stated specifications working with Scottish Government’s Bill Team and Legal Directorate during the development of primary and secondary legislation, as well as our tax team and external stakeholders.
- (b) **Information and Communications Technology (ICT)** – responsible for the requirements gathering, specification, build and design of the infrastructure to collect and manage SBSL. This will include provision of the online registration process, tax collection system - building on our Scottish Electronic Tax System (an electronic tax administration system called “SETS”) and the necessary enhancements to other ICT systems such as telephony, website, and finance systems.
- (c) **Corporate Readiness** – This includes the impact of the delivery of a new tax across all of our activities, ensuring that all current processes, functions, and reporting requirements are enhanced to facilitate the introduction and continued management of SBSL.
- (d) **Communications and Stakeholder Engagement** – Responsible for facilitating stakeholder engagement, internal and external programme communications, and stakeholder readiness activities to ensure all stakeholders are prepared for the introduction of SBSL and have access to supporting materials ahead of and beyond go-live.

4.5 Programme planning is based on a phased approach to delivery, set out as follows:

- Phase 1: Development of the Business Case (June 2025 – December 2025)
- Phase 2: Design and Development of the Programme (January 2025 – June 2025)
- Phase 3: Implementation (June 2025 – January 2027)
- Phase 4: Go Live Events (January 2027, April 2027 and July 2027 covering registration, tax commencement and first tax return filing)
- Programme Closedown (July 2027 – August 2027).

5. Programme Assurance

5.1 The programme is subject to external assurance in the form of Gateway Reviews and Digital Assurance activities which will be repeated at appropriate decision-making stages during the lifecycle of the programme. The timing of these reviews will be decided by the SRO after consultation with the Programme Board.

6. Stakeholder engagement

6.1 We recognise the importance of stakeholder input as part of an effective and efficient compliance and administration framework. As part of the preparation for the new tax, we have undertaken engagement with relevant bodies such as the previously mentioned LABSS, IS and COSLA. We have also sought input from HMRC in relation to their experiences in specific compliance contexts and relevant expertise from the Law Society of Scotland. We have been and continue to be heavily involved in the engagement with industry stakeholders as part of the Scottish Government's Bill development programme.

6.2 Now that the Bill has been introduced to Parliament, we have developed a stakeholder engagement approach. Engagement activity will continue with industry stakeholder groups (such as the building industry, property investor representatives, local authority teams involved in building standards and property registration) to gain input on key functions such as registration, the tax return and compliance. Reducing complexity and unnecessary administrative burdens are desirable aspects for taxpayers. Engagement will continue beyond the introduction of the tax, as we do on our existing taxes.

Key operational matters

6.3 SBSL does not have a UK-wide equivalent. The closest parallel is the (currently) England-only Building Safety Levy which, from 1 October 2026, also seeks to impose a levy on developers at key points in the building control process. The Building Safety levy in England will be collected by each Local Authority and remitted to the Ministry for Housing Communities and Local Government. The Scottish Building Safety Levy, SBSL, operates within the framework set out by the powers that devolved the tax to Scotland, namely The Scotland Act 1998 (Specification of Devolved Tax) (Building Safety) Order 2024.

6.4 To be within the confines of the devolved powers the tax has to be charged "...in respect of an application made in connection with the building control process." The operation and hence the design constraints of the tax are required to fall within this key definition to be within legislative competence.

Registration

6.5 Registration is an important element as it will be the first interaction that we have with taxpayers, it identifies and provides information on the taxpayer base. We have identified approximately 150 -200 taxpayers who are likely to be required to register for SBSL.

6.6 Our SBSL registration process will be built upon established systems already in place for SLfT and SAT whilst tailoring the system for SBSL taxpayers. The Scottish Government wishes to remove smaller developers, and self builds from the scope of the SBSL. A key design element of the registration system will be to introduce a levy free allowance which will ensure that developers who are building low annual numbers of new residential units will not be required to register for SBSL and will be protected from the costs associated with the Levy. Once registered, a taxpayer's levy free allowance will reset every year and only those properties that are over and above the levy free allowance will be chargeable to the Levy.

Tax Return

6.7 Once a person is registered, they will be required to submit returns to Revenue Scotland which set out the tax due from completed residential properties. The SBSL Bill sets out that the calculation of the Levy will be based upon the floorspace of a property with a rate to be applied. The Bill also introduces a series of exemptions (such as for social or affordable housing) that will remove certain residential properties from charge. Further to this the Bill also provides Ministers with the powers to set out tax reliefs although the Scottish Government has not indicated that any relief will be introduced at the onset of the Levy. The characteristics of the SBSL tax calculation are similar to that of other devolved taxes and Revenue Scotland will therefore be able to build on the design of established tax returns. The SBSL tax return will aim to ensure adequate data is collected to facilitate the administration of the Levy and support compliance whilst not being overly burdensome for the taxpayer to complete.

6.8 The Scottish Government Revenue Scotland recognises that there may be taxpayers who are required to register but may then have periods of low activity where they do not breach their annual levy free allowance. In order to mitigate the administrative burden for taxpayers in this position, Revenue Scotland is working with the Scottish Government in developing a low activity provision which will remove the requirement to make any tax return until such time as there is a property that is chargeable to the Levy.

6.9 Revenue Scotland are cognisant of the need for a robust compliance approach and are working with the Scottish Government in undertaking extensive stakeholder engagement with the aim of fully understanding the variety of ownership structures that are being utilised by residential developers so that we can ensure the fair application of the SBSL and for other important provisions such as the levy free allowance.

6.10 Further to this, in line with the Scottish Government's wish to keep the administration of the tax as simple and cost effective as possible Revenue Scotland is working with the Bill team to take advantage of the available records in relation to property transactions and the building standards process in order to create a data driven approach which will aid in our registration and tax return processes and help streamline our compliance approach. This will help in maintaining efficient costs of administration.

7. Costs

7.1 Revenue Scotland's key objectives in delivering this tax for Scotland include for it to be delivered digitally and in as lean a way as possible. These considerations are driving our approach to tax design to ensure that the administrative overhead for both taxpayers and Revenue Scotland as the tax authority are kept as low as possible. However, the cost of administering this tax will not initially be within our target of 1% of revenues generated.

7.2 At the time of preparation of the Financial Memorandum key elements of the design of the tax were not certain. This and the previous comments that there is not an established UK tax from which practical experience can be derived (in contrast with, for example, SAT) meant that the capital and development costs to deliver a functioning tax system were not capable of being defined with specificity at that point. However, development work on the tax design has continued allowing a more accurate capital cost to be determined. The actual capital cost will be lower than that shown in the Financial Memorandum.

7.3 By how much it will be lower will depend on further discussions around the remaining areas of tax design, such as how granular the adjustments will be for local market conditions in the calculation of the tax on a given property.

7.4 The non-capital costs for the development of SBSL relate to the Programme Team described earlier in this submission. Maintaining a single team involved in the consecutive development of SAT and then SBSL is allowing for a more efficient approach than separate teams.

7.5 The ongoing revenue costs of delivering the tax in its live state will also depend on areas of tax design yet to be finalised. For example, if the information sharing provisions of the legislation are drafted in a flexible yet proportionate way then the running costs are capable of being kept to a minimum as the cost of compliance checks can be minimised through data comparisons and checks.

Revenue Scotland
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