

T: 0300 244 4000
E: scottish.ministers@gov.scot

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament

15 January 2026

Dear Kenneth,

LAND AND BUILDINGS TRANSACTION TAX (INVESTMENT ZONES RELIEF) (SCOTLAND) ORDER 2026

I welcomed the opportunity to meet with the Committee on 6 January to discuss the Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026. As part of the constructive discussion with the committee, I committed to provide more information in writing regarding the selection methodology for Scotland's two Investment Zones.

Selection methodology for Scotland's Investment Zones

The decision to select Glasgow City Region and the North East Region followed a structured process that began in early autumn 2022, involving extensive engagement and discussion among officials, analysts, and Ministers across both the Scottish and UK Governments. The approach required adapting the methodology originally developed for England to reflect Scotland's distinct policy context, governance arrangements, and economic priorities. The final methodology aimed to ensure fairness and transparency, using agreed criteria and reliable data to identify areas with the greatest potential for impact.

This approach was agreed jointly with the UK Government to ensure that funding and benefits of the Investment Zones were directed to places with the greatest need and potential, whilst avoiding the need for a complex bidding exercise – the resource requirements for which are a concern repeatedly raised by local authorities.

Selection was based on an assessment of Scotland's Regional Economic Partnerships (REPs) against five key criteria:

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

- **Economic potential** – identifying areas with scope for productivity growth.
- **Innovation potential** – focusing on regions with strong business dynamism and high-skilled labour.
- **Wellbeing economy need** – addressing deprivation and supporting inclusive growth.
- **Strength of knowledge anchors** – ensuring the presence of research-intensive institutions to drive innovation.
- **Sectoral strength** – supporting clusters in priority sectors such as digital, life sciences, advanced manufacturing, and green industries.

To ensure viability, two thresholds were applied: a minimum population size and the presence of at least one research-intensive institution. Additional considerations included existing government investment, delivery capacity, and achieving a fair geographic spread across Scotland.

The application of this methodology identified Glasgow City Region and the North East of Scotland as the strongest locations to host Investment Zones, ensuring that funding is directed where it can deliver the greatest economic and social impact. The process concluded with the announcement of the two regions in June 2023, with the [selection methodology](#) subsequently published in August 2023.

I trust this additional information is helpful to the committee.

Yours sincerely,

IVAN MCKEE

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
 We invest in people Silver

