

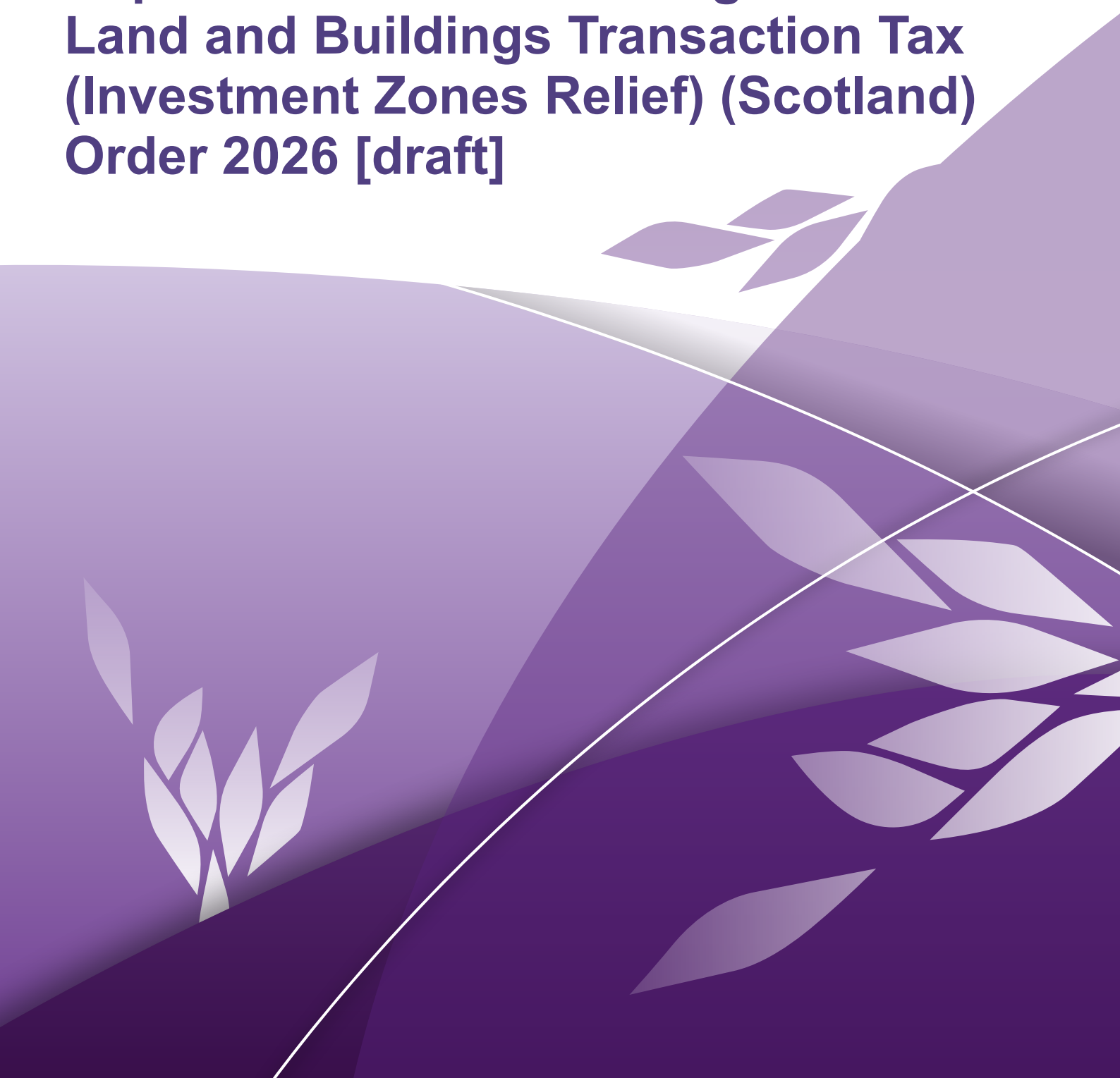


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## Finance and Public Administration Committee

# Report on Subordinate Legislation: Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft]



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# Finance and Public Administration Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to the National Performance Framework within the responsibilities of the Deputy First Minister, public service reform within the responsibility of the Cabinet Secretary for Finance and Local Government, and public administration.



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# The Order

1. The Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft] <sup>1</sup> inserts a new Schedule (16E) into the Land and Buildings Transaction Tax (Scotland) Act 2013 <sup>2</sup>, to provide for relief from Land and Buildings Transaction Tax (LBTT) for eligible transactions within an Investment Zone designated tax site. The Order also makes “related amendments to the 2013 Act and to the Revenue Scotland and Tax Powers Act (Interest on Unpaid Tax and Interest Rates in General) Regulations 2015 in connection with the introduction of this new LBTT relief”.
2. If approved by the Scottish Parliament, the instrument comes into force on 26 February 2026.
3. The Policy Note <sup>3</sup> in relation to the Order explains that the relief is intended “to support the Scottish Government’s objectives in delivering the Investment Zone programme by encouraging long-term investment in specified tax sites which are deemed, at the point of designation, to be underdeveloped”.
4. The Policy Note also indicates that a Business and Regulatory Impact Assessment will be published “in due course in relation to the wider Investment Zone programme”. The Note goes on to say that the programme “has been designed to create high-quality jobs, boost regional innovation in key growth sectors like advanced manufacturing, green energy and digital technologies, and drive economic growth while ensuring the benefits and opportunities of growth are felt by communities throughout Investment Zone regions”.
5. A Child Rights and Wellbeing Impact Assessment (CRWIA) has been undertaken which concluded that the Order has no impact on children’s rights under the UN Convention on the Rights of a Child (as incorporated into domestic law) or on children’s wellbeing.
6. The Scottish Fiscal Commission (SFC), following an initial review, indicated that “the effect of the change on Land and Buildings Transaction Tax revenue is likely to fall below their materiality threshold of £5 million in annual revenue”. The SFC’s website explains that “materiality refers to relative significance of fiscal effects of policy changes compared to the overall size of devolved taxes and social security payments”. It adds that “the materiality threshold is a set amount below which the fiscal effect of a policy change is deemed small enough that a policy costing is not required”.

# Delegated Powers and Law Reform Committee consideration

7. The Delegated Powers and Law Reform (DPLR) Committee considered the draft instrument at its meeting on 16 December 2025<sup>4</sup>. Its 95th Report, 2025 (Session 6)<sup>5</sup> states that the DPLR Committee agreed not to draw the instrument to the attention of the Parliament.

# Consideration of the Finance and Public Administration Committee

8. At its meeting on 6 January 2026, the Committee took evidence from the Minister for Public Finance, Ivan McKee MSP, in relation to the Order. During the evidence session, the Minister provided additional information related to the Order, the full details of which can be found in the Official Report.<sup>6</sup>

9. In his opening remarks, the Minister explained that the two Investment Zones in Scotland (in the Glasgow city region and in the north-east of Scotland)—

“[...] are designed to leverage research and innovation strengths to boost productivity and increase innovation in our regions. Through the incentives on offer, they can make a major contribution to attracting private investment, promoting growth and creating good jobs in key sectors such as advanced manufacturing and green industries. The investment zones are a collaboration between the Scottish and UK Governments and the Glasgow city region and north-east Scotland regional partnerships. The regional partnerships are ensuring that regional interests remain at the heart of this work and that the benefits and opportunities of growth are felt by communities throughout investment zone regions.”

10. He went on to say that the LBTT relief “is designed to be equivalent to the stamp duty land tax relief offered to investment zones in England, to ensure parity” and that the relief will be “available immediately once the tax sites are designated for a period of up to five years”.

11. Committee Members discussed the following issues with the Minister—

- The extent to which jobs and investment could be displaced from one area of Scotland to an Investment Zone area rather than it creating any new opportunities. The Minister suggested that this is unlikely as “typically, those businesses that are looking to move to create something are looking at the international context [...] and] by definition, somebody would have to move to get it, but they get it only by virtue of the fact that they are moving, so it is not an incentive per se to move into the area”.
- The extent to which Investment Zones and Green Freeports are in competition with each other. The Minister explained that each has “different specific areas of focus with regard to the type of technologies and industries that they are trying to attract”.
- Expected levels of investment to the Zones. A Scottish Government official told the Committee that over the 10-year period of the programme, “Glasgow city region estimates that it will secure, I think, £363 million of match funding from the private sector, and in the north-east the figure is expected to be around £260 million, with 10,000 and 18,000 jobs respectively being supported in these investment zones”. He went on to say that “there will be more detail forthcoming in the coming months, but we are somewhat beholden to the regional economic partnerships, which are working with the companies, universities and relevant stakeholders to develop the business cases”.

- The extent to which possible behavioural responses to the relief have been considered by the Scottish Government. The Minister noted that “the tax piece [...] will be part of the decision-making criteria for companies, but [...] it will be a small part of the overall consideration”, adding “incentives and reliefs can play a role, but they need to be targeted and we need to understand what we are trying to achieve with them”.
- The process and timeline for the Scottish and UK governments agreeing the methodology for assessing bids for where the investment zones should be sited in Scotland. While it was noted that the methodology used is published online, there was some dubiety about the date on which this was agreed between the two governments and how it was used to assess these bids. The Minister agreed to provide written clarification on these issues.
- Whether companies involved in tax avoidance or who do not adhere to fair work practices, such as the real living wage, should be able to apply for the relief. The Minister told the Committee that “the criteria in the code of conduct [which is currently being developed] will be used to assess whether businesses will be eligible for the benefits or not, as is the case with green ports”.

12. Following questions, the Minister moved the following motion in the name of the Cabinet Secretary for Finance and Local Government—

S6M-20212– That the Finance and Public Administration Committee recommends that the Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft] be approved.

## Conclusion

13. Motion S6M-20212 was agreed to by division (For 5, Against 1, Abstentions 1). The Finance and Public Administration Committee therefore recommends that the Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft] be approved.

- [1] Scottish Government. (2025, December). The Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft]. Retrieved from [https://www.legislation.gov.uk/sdsi/2026/9780111064559#:~:text=The%20Scottish%20Ministers%20make%20the,\)%20of%20that%20schedule.%E2%80%9D](https://www.legislation.gov.uk/sdsi/2026/9780111064559#:~:text=The%20Scottish%20Ministers%20make%20the,)%20of%20that%20schedule.%E2%80%9D).
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- [4] Scottish Parliament, Delegated Powers and Law Reform Committee. (2025, December 16). Official Report. Retrieved from <https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/ssblrc-16-12-2025?meeting=20003>
- [5] Scottish Parliament. (2025, December 16). Subordinate Legislation considered by the Delegated Powers and Law Reform Committee on 16 December 2025. Retrieved from <https://bprcdn.parliament.scot/published/DPLR/2025/12/16/985c5ffa-7de9-4222-b2fd-ccef5b6518e2/DPLRS062025R95.pdf>
- [6] Scottish Parliament, Finance and Public Administration Committee. (2026, January 6). <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16779>.

**Finance and Public Administration Committee**

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