

MSPs at Holyrood have announced potential plans to replace Stamp Duty on properties sold in Scotland under the Land and Buildings Transaction Tax (Scotland) Bill (LBTT). The Scottish Parliament will be given control over property tax in 2015 which is when the change in the system is set to take place.

The current system, which is administered by the UK Treasury, sees tax paid on the whole value of properties which are sold for more than £125,000. The plan involves changing the current "slab rate" tax brackets to a "progressive charge" depending on the value of the property. MSPs have suggested the following two possible scenarios under the new system:

Scenario 1

Who pays what?

Selling price	LBTT paid
Properties under £180,000	No LBTT paid
Properties over £180,000 but under £1.5m	7.5% paid on every pound over £180,000
Properties over £1.5m	10% on every pound £1.5m. 7.5% on amount between £180,000 and £1.5m

Results

- 39.4% of people would pay less
- 39.3% would pay the same
- 21.3% would pay more

Who wins & loses

- Everyone under £125,000 continues to pay nothing and is thus unaffected.
- Everyone from £125,000 to £207,692 is better off by up to £1,800
- Everyone from £207,693 to £249,999 is worse off by up to £2,749
- Everyone from £250,000 to £299,999 is better off by up to £2,250
- Everyone paying exactly £300,000 is unaffected
- Everyone paying more than £300,000 is worse off. A buyer paying £400,000 will pay an additional £4,500. A buyer paying £1million will pay an additional £11,500.

Total revenue collected

Under existing Stamp Duty, total tax revenue on 2011 sales in Edinburgh, Lothians and Fife was £58,722,898. Scenario 1 would generate total tax revenue of £64,426,662.

Scenario 2

Who pays what?

Selling price	LBTT paid
Properties under £125,000	No LBTT paid
Properties over £125,000 but under £250,000	2% paid on every pound over £125,000
Properties over £250,000	9.5% paid on every pound over £250,000 2% paid on every pound between £125,000 and £250,000

Results

- 50.7% would pay less
- 38.9% would pay the same
- 10.4 % would pay more

Who wins & loses

- Everyone under £125,000 continues to pay nothing and is unaffected.
- Everyone from £125,000 to £327,000 is better off by up to £5,000
- Everyone buying for £327,000 or more will pay more. Households buying a house for £400,000 would pay £4,750 more under this scheme. Households buying a house for £1million would pay £23,750 more in tax.

Total revenue collected

Under existing Stamp Duty, total tax revenue on 2011 sales in Edinburgh, Lothians and Fife was £58,722,898. Scenario 2 would generate total tax revenue of £66,069,998.