

# Tax changes will affect commercial investors

Changes to Land and Buildings Transaction Tax (LBTT) came into force in Scotland on 25 January 2019, bringing with them unintended consequences for investors keen to snap up Scottish property, according to JLL.

The upper rate of LBTT payable for commercial property has increased from 4.5% to 5%, bringing Scotland into line with English rates. Alasdair Humphery, lead director at JLL Scotland says the move could impact on how institutional investors view large Scottish commercial property deals going forward.



**Mr Humphery said:** “Bringing Scotland’s commercial rates into line with England’s is likely to erode any competitive edge our market previously had over England. As always investors are looking for value, and Scotland’s relative worth has helped it stand out when compared to London or other regional hubs in recent years.

“As key cities which attract people to work, live and study, Edinburgh and Glasgow will always remain high on the lists of investors, but will now require further consideration of additional costs.”

£2.5bn was invested across Scotland's commercial market last year, an increase of 18 per cent compared to 2017, according to JLL.

**Humphery continued:** "We already predicted investment volumes are likely to drop this year due to ongoing political uncertainties. However, these recent changes to commercial LBTT rates will act to dilute the market's appeal."

The new higher LBTT rate of 5% payable on any transaction over £250,000 is accompanied by a reduction in the lower rate from 3% to 1%. As of 25 January, there are changes to the amounts payable on non-residential property transactions. The rates and bands are amended, but the incremental banding system will remain.