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BUILDING SAFETY LEVY (SCOTLAND) BILL: CALL FOR VIEWS BY SCOTTISH PARLIAMENT FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

Response by Association of Taxation Technicians

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the Scottish Parliament Finance and Public Administration Committee's call for views on the Building Safety Levy (Scotland) Bill, which opened on 26 June 2025¹.
- 1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.
- 1.3 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 3.

2 The new Scottish Building Safety Levy

- 2.1 **Question 1: Do you agree, in principle, that a levy should be introduced on the construction of residential property in Scotland?**
- 2.2 We recognise the need for the Scottish Government to find ways of financing its Cladding Remediation Programme, without placing a financial burden on affected homeowners or the expenditure being funded solely from other existing taxes. Given those works will cost £1.7 billion over a 15 year period, it does not appear unreasonable to seek a contribution by charging a levy on the cost of constructing residential property in Scotland.
- 2.3 Given that the UK Government has introduced a Building Safety Levy² in England with similar motives, a separate Scottish levy ensures an element of consistency in approach, albeit that the levies will operate differently.

¹<https://yourviews.parliament.scot/finance/building-safety-levy-bill/>

² <https://www.gov.uk/guidance/building-safety-levy-guidance>

- 2.4 **Question 2: To what extent does the proposed Scottish Building Safety Levy (SBSL) align with the [Scottish Government's 2024 Tax Strategy](#) and with the principles of good tax policy making included in the [Framework for Tax 2021](#) (namely: proportionality, certainty, convenience, engagement, effectiveness and efficiency)?**
- 2.5 We believe that the proposed SBSL is consistent with the principles of good tax policy making as set out in the Framework for Tax 2021, as follows:
- 2.6 **Proportionality:** By granting powers to the Scottish Ministers in Section 12 to set a Levy-free allowance, this will enable the Scottish Government to create proportionality in the operation of SBSL by ensuring smaller developers can be protected from the impact of the levy. Section 12 gives the Scottish Ministers an element of flexibility to take account of a range of circumstances when setting any Levy-free allowance.
- 2.7 **Certainty:** The Scottish Government has made clear that the SBSL will come into effect from April 2027 and will publish regulations so that property developers are aware of the tax rates that will be charged and when these need to be paid for an accounting period.
- 2.8 **Convenience:** The tax policy surrounding the SBSL has been clear from the outset. By having the tax administered by Revenue Scotland, this should ensure that there is consistency in how the SBSL is operated and should enable the levy to be administered in a convenient manner for taxpayers.
- 2.9 **Engagement:** The Scottish Government has consulted with a range of external stakeholders on the SBSL, including those in the construction sector who will ultimately end up paying the SBSL. The Scottish Government has been transparent about the need for the levy and how it will be collected.
- 2.10 **Effectiveness:** Whilst the Scottish Government has still to announce SBSL rates and the Levy-free allowance, from the engagement to date it is clear that the design of the levy is focused on raising the necessary revenues to contribute towards the cost of the Cladding Remediation Programme in Scotland.
- 2.11 **Efficiency:** We are unable to comment specifically on this until the SBSL rates are published. However, it is important that the SBSL rates and Levy-free allowances are set at such a level that does not discourage investment in the building of new residential property in Scotland.
- 2.12 **Question 3: What would be the impacts of the SBSL for the housing market, if any?**
- 2.13 Whilst stakeholders in the construction sector will be able to provide a more accurate assessment of the impact of the SBSL on the housing market, we recognise that the level of the SBSL could have an impact on demand for and costs of new residential property in Scotland.
- 2.14 The specific exemptions contained in Section 5 of the Bill should mean that SBSL has minimal impact on the construction of social housing, affordable housing or housing in Scottish island communities³.
- 2.15 **Question 4: Do you foresee any behavioural changes or impacts arising as a result of the implementation of the SBSL?**
- 2.16 Alongside the potential for reduced demand for new residential property in Scotland, it is possible that there may be an element of incentive for some developers to carry out works to pre-existing buildings (which would be exempt per Section 5 of the Bill as long as the works did not result in a different number of dwellings) rather than build new residential property. However, this may be a positive impact, reducing the number of empty buildings requiring renovation. Stakeholders in the construction sector will be able to comment further on the extent to which this would be an issue.

³ Defined in the [Islands \(Scotland\) Act 2018](#)

2.17 **Question 5: Are there any provisions in the draft legislation that may give rise to unintended effects, including to opportunities for tax avoidance?**

2.18 We are unaware of any unintended consequences of the draft legislation. In terms of opportunities for tax avoidance, the Scottish Government may wish to ensure that businesses are unable to structure their affairs to claim more Levy-free allowance than intended under the legislation.

One particular observation is in respect of Section 12, which refers to the treatment of connected persons under Section 1122 Corporation Tax Act 2010. If the shareholders of a company also set up a Limited Liability Partnership, this could present the possibility of the Limited Liability Partnership being able to claim its own Levy-free allowance despite being under the same control as the company, subject to any regulations being published by the Scottish Ministers under Section 29 on partnerships more generally.

The legislation could perhaps make specific reference to Limited Liability Partnerships and whether they should be treated as a company for the purposes of the SBSL. There is precedent for Limited Liability Partnerships being treated as companies for the purpose of Employment Allowance⁴ and it may be that the appropriateness of this should be considered for the SBSL.

It is also unclear from the legislation whether the power given to the Scottish Ministers to make regulations for partnerships and unincorporated bodies in Section 29 would prevent avoidance using unincorporated businesses, Limited Liability Partnerships and companies as a means of securing additional Levy-free allowances.

2.19 **Question 6: The Bill sets out: (i) the buildings that are specifically included and excluded from SBSL (section 4(2) & (3)) and (ii) the buildings that are exempt from SBSL (section 5). Do you have any views on these inclusions, exclusions and exemptions?**

2.20 In respect of the definition of a “new residential unit”, we note the reference to temporary residential accommodation. Hotels, inns or similar establishments are specifically referenced in Section 4(3), although for clarity it may be helpful if the legislation specifically included or excluded holiday homes.

The draft regulations for the Building Safety Levy in England exclude accommodation for victims of domestic abuse and temporary accommodation for homeless people. These do not appear to be included in the draft legislation for the SBSL and we are unaware of any reason why they should not be specifically excluded in Section 4(3).

There is a specific reference in Section 4(3) to properties intended to be used by a minister of a religious denomination. We would suggest that the requirement for the accommodation to be provided by a body registered in the Scottish Charity Register is too restrictive and that the exclusion should equally apply for property in Scotland used by a religious denomination registered with The Charity Commission or The Charity Commission for Northern Ireland.

Whilst recognising the importance of the above exclusion for properties intended to be used by a minister of a religious denomination, we feel that consideration should also be given to job related accommodation⁵ more generally in the definition of exclusions. Although safeguards would need to be in place to mitigate the risk of this exclusion being used for tax avoidance purposes.

⁴ [Section 3 National Insurance Contributions Act 2014](#)

⁵ [Section 99 Income Tax \(Earnings and Pensions\) Act 2003](#)

The exemptions in Section 5 appear sensible and are in line with the equivalent exemptions for providers of social housing in the Building Safety Levy in England.

Throughout the exclusions and exemptions, we feel it is important to ensure that there is the ability for Revenue Scotland to be able to revisit the eligibility of a building for an exclusion or an exemption where the property has not been used for its intended purpose.

2.21 **Question 7: Are the arrangements for penalties and appeals as set out in the Bill appropriate?**

2.22 Whilst we are unable to comment on the appropriateness of the level of penalties, the process under which penalties and appeals are being raised would appear to be reasonable.

2.23 **Question 8: Do you consider that the estimated costs set out in the Financial Memorandum for the Bill are reasonable and accurate? If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill?**

2.24 As we are a professional body and do not operate in the construction sector, we are unable to comment on whether the estimated costs in the Financial Memorandum for the Bill are reasonable and accurate.

2.25 **Question 9: Do you have any other comments regarding the Bill which have not been captured by the previous questions?**

2.26 Whilst this may be addressed by the regulations to be published by Scottish Ministers, to assist with the administration burden of the SBSL on smaller developers, we feel it is important that there should be no requirement for a property developer to have to register for SBSL where the levy charged would be covered entirely by any Levy-free allowance. The Bill is currently silent on this point at present.

3 Contact details

3.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact us at atttechnical@att.org.uk.

The Association of Taxation Technicians

4 Note

4.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.