

# Revenue Scotland Green Freeports Webinar 27 September



# Housekeeping

- Today's session should run for around 45 minutes to an hour.
- There will be a Q&A at the end of the session. If you have questions, please pop these in the chat and we will aim to answer them in the Q&A.
- The presentation section of this session will be recorded and this will be available on our YouTube channel afterwards.
  - People's identities will not be shown on the recording.

# Today's Speakers

- Rhona Maurage – Tax Technical Lead for LBTT
- Cara Woods – Tax Specialist

# What this session will cover

1. Green Freeports overview
2. Links to legislation and guidance
3. Technical guidance
4. An opportunity for the audience to ask questions



# What is a Green Freeport

A Green Freeport is a defined area which includes a rail, sea or airport link.

Green Freeports have four main objectives:

- promoting regeneration and high-quality job creation
- promoting decarbonisation and a just transition to a net zero economy
- establishing hubs for global trade and investment
- fostering an innovative environment



# Where are the Green Freeports?

- Forth Green Freeport



- Cromarty Firth Green Freeport



# Links to sources of information

- [Land and Buildings Transaction Tax \(Scotland\) Act 2013 \(legislation.gov.uk\)](#) – Schedule 16D
- [Green freeports - Cities and regions - gov.scot \(www.gov.scot\)](#)



# Technical Guidance

- Green Freeports overview
- The legislation
- Key Terms
- Green Freeport relief
- Claiming the relief
- Withdrawal of the relief
- Interest where relief is withdrawn
- Alternative finance arrangements
- Green Freeport leases





# Green Freeport relief

- The relief is a full or partial relief from land and buildings transaction tax (LBTT).
- Which is available for eligible transactions relating to land in designated Green Freeport **tax sites only**.



# Green Freeport relief - Dates

The LBTT Green Freeport Relief is part of a package of tax reliefs for Green Freeports that will be in place for a period of five years from 1<sup>st</sup> October 2023 until 30 September 2028.

Note: Although the 5 years period starts on 1 October 2023, claims for LBTT Green Freeports Relief cannot be made until the designation of tax sites.



# Proposed Tax Sites

There are three proposed tax sites for each Green Freeport

Cromarty Green Freeport

Invergordon, Nigg & Pitcalzean and Inverness

Forth Green Freeport

Grangemouth, Rosyth and Leith



# Green Freeport relief

- **Full relief** is available when at least 90% of the chargeable consideration for the transaction relates to qualifying land on a designated Green Freeport tax site.
- **Partial relief** is available when at least 10% of the chargeable consideration for the transaction relates to qualifying land on a designated Green Freeport tax site.



# Example – Full Relief

## FULL RELIEF: 100% CHARGEABLE CONSIDERATION ATTRIBUTABLE TO QUALIFYING GREEN FREEPORT LAND

- A buyer acquires 40 acres of land for £4,000,000
- All 40 acres are within a designated Green Freeport tax site. The buyer's intention is to use all 40 acres in a qualifying manner
- As the transaction land is 100% within the Green freeport tax site and it is to be used exclusively in a qualifying manner, full relief is available



# Example – Full Relief

## FULL RELIEF: AT LEAST 90% CHARGEABLE CONSIDERATION ATTRIBUTABLE TO QUALIFYING GREEN FREEPORT LAND

- A buyer acquires 40 acres of land for £4,000,000
- Only 36 acres (90%) are within the designated Green Freeport tax site. The intention is to use all 36 acres in a qualifying manner
- The remaining 4 acres are outside the Green Freeport tax site and will not be used in a qualifying manner
- As the transaction land is 90% within the Green freeport tax site and it is to be used exclusively in a qualifying manner, full relief is available



# Example – Full Relief

## FULL RELIEF: AT LEAST 90% CHARGEABLE CONSIDERATION ATTRIBUTABLE TO QUALIFYING GREEN FREEPORT LAND – JUST AND REASONABLE APPORTIONMENT

- A buyer acquires 40 acres of land for £4,000,000
- Only 32 acres (80%) are within the designated Green Freeport tax site. The intention is to use all 32 acres in a qualifying manner
- The remaining 8 acres are outside the Green Freeport tax site and will not be used in a qualifying manner
- However, the valuation on a just and reasonable basis in this case for the 32 acres is £3,680,000. This is 92% of the total chargeable consideration of £4,000,000. A valuation is available to evidence this
- As 92% of the chargeable consideration meets qualifying conditions full relief is available



# Example – Partial Relief

## PARTIAL RELIEF

- A buyer acquires 6 acres of land at a cost of £175,000 per acre (£1,050,000). All 6 acres are within designated green freeport tax site land
- Only 4 acres, are intended to be used in a qualifying manner. These 4 acres represent 70% of the total chargeable consideration, or £735,000. As this is more than 10% but less than 90% only partial relief is available
- Only the 4 acres used in a qualifying manner meet the conditions for the relief. Therefore, the relief available is restricted to 70% of the tax due





# Example – Partial Relief

## PARTIAL RELIEF JUST ABOVE 10% LOWER LIMIT

- A buyer acquires 18 acres of land for £1,250,000
- All 18 acres are within a Green Freeport, however only 2 acres are inside a designated tax site. The intention is to use the 2 acres in a qualifying manner
- Only the land within a designated tax site meets the criteria to be considered for relief. The value on a just and reasonable apportionment for the 2 acres is £130,000, or 10.4% of the total chargeable consideration. The taxpayer must be able to evidence the just and reasonable apportionment
- As more than 10% of the chargeable consideration meets the qualifying conditions partial relief is available
- Only the 2 acres used in a qualifying manner meet the conditions for the relief. Therefore, the relief available is restricted to 10.4% of the tax due



# No relief

Relief is not available where less than 10% of the chargeable consideration is attributable to qualifying Green Freeport land



# Example – No Relief

## NO RELIEF- NOT ALL LAND IS WITHIN GREEN FREEPORT

- A buyer acquires 50 acres of land for £2,500,000, partly within a Green Freeport.
- Only 5 acres are inside a Green Freeport tax site. The intention is to use the 5 acres in a qualifying manner.
- The value on a just and reasonable apportionment for the 5 acres is £200,000, with the taxpayer providing evidence on the apportionment method used. The consideration for these 5 acres represents 8% of the total chargeable consideration.
- As less than 10% of the chargeable consideration meets qualifying conditions, no relief is available.



# Example – No Relief

## NO RELIEF- NOT ALL LAND IS WITHIN DESIGNATED TAX SITE

- A buyer acquires 25 acres of land for £1,675,000.
- All 25 acres are within a Green Freeport, however only 4 acres are inside a designated tax site. The intention is to use the 4 acres in a qualifying manner.
- Only the land within a designated tax site meets the criteria to be considered for relief. The value on a just and reasonable apportionment for the 4 acres is £157,500, with the taxpayer providing evidence on the apportionment method used. This is 9.4% of the total chargeable consideration.
- As less than 10% of the chargeable consideration meets qualifying conditions no relief is available.



# Ancillary land

This is additional land which can be included in a relief claim where:

- Its use is in the course of a commercial trade or profession
- is ancillary to the land situated in a Green Freeport tax site which meets qualifying use

This means that the additional land must support the use of land in a designated tax site land, e.g. access roads or car parks.

Note:

The transaction as a whole must meet all of the relief conditions to include ancillary land.



# Exclusions

- land used as a dwelling or as the garden or grounds of a dwelling
- land developed or redeveloped to become residential property
- land used as a source of rents or other receipts where the use is as a dwelling or as the garden or grounds of a dwelling
- land held as stock of the business for resale without development or redevelopment



# Claiming the relief

Green Freeports relief can only be claimed per [LBTT\(S\)A 2013, Part 3, section 27\(2\)](#) by:

- including a claim for relief in the **original LBTT return**
- making an **amendment** to the LBTT return within the amendment period



# Withdrawal of relief

- Relief may be withdrawn where land is not exclusively used in a qualifying manner, during the control period
- Where LBTT Green Freeport relief is withdrawn, the tax payable is what would have been payable in respect of the original transaction
- On the withdrawal of LBTT Green Freeport relief, it is the responsibility of the buyer to make a further LBTT return, within 30 days of the qualifying use ending





# Control Period

The control period means the shorter of:

- 3 years beginning with the effective date of the transaction, or
- the period beginning with the effective date of the transaction and ending with a subsequent effective date which leads to neither the buyer nor a connected person holding a chargeable interest in the qualifying Green Freeport land (this could be the result of multiple transactions).



# Example - Withdrawal of relief

## WITHDRAWAL OF RELIEF NOT APPLICABLE

- A buyer acquires a warehouse on a designated tax site for £750,000. The buyer intends to use the warehouse in a qualifying manner. Full Green Freeport relief was claimed when an LBTT return was filed
- Three months later the warehouse was destroyed by fire and had to be demolished. The buyer sold the land 15 months later
- As the land ceased to be used in a qualifying manner within the control period, withdrawal of relief must be considered
- As the cessation of qualifying use was outwith the buyers control, relief is not withdrawn



# Example - Withdrawal of relief

## WITHDRAWAL OF RELIEF CHANGE OF USE TO RESIDENTIAL

- A buyer acquires 25 acres of land for £2,695,000 on 1 November 2023.
- Only 18.75 acres (75%) are within the designated Green Freeport tax site. The intention is to use all 18.75 acres in a qualifying manner. The remaining 6.25 acres are outside the Green Freeport tax site and will not be used in a qualifying manner.
- However, the valuation on a just and reasonable basis in this case for the 18.75 acres is £2,479,400. This is 92% of the total chargeable consideration of £2,695,000. A valuation is available to evidence this.
- As 92% of the chargeable consideration meets qualifying conditions full relief is available.
- Six months later, on 1 May 2024, the buyer decides to develop the land for residential use. As this is within the control period, the relief is withdrawn. A further LBTT return is required within 30 days of the qualifying use ending, in this case by 31 May 2024.



# Example - Withdrawal of relief

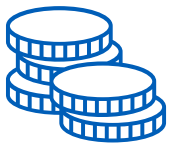
## WITHDRAWAL OF RELIEF CHANGE OF USE IN PART

- A buyer acquires 24 acres of land for £2,300,000.
- Only 15 acres (62.5%) are within the designated Green Freeport tax site. The intention is to use all 15 acres in a qualifying manner.
- The remaining 9 acres are outside the Green Freeport tax site and will not be used in a qualifying manner.
- However, the valuation on a just and reasonable basis in this case for the 15 acres is £2,185,000. This is 95% of the total chargeable consideration of £2,300,000. A valuation is available to evidence this.
- As 95% of the chargeable consideration meets qualifying conditions full relief is available.
- Within a year the buyer changes the use for 5 of the 15 acres to residential.
- The buyer must make a further return within 30 days of this change for the full 24 acres without relief, paying any tax due.



# Interest where relief is withdrawn

- Where relief is withdrawn, interest will be payable against any tax liability calculated due to the withdrawal of the relief
- Interest will be treated as accruing from the 'relevant date', being 30 days after the date of the disqualifying event.



# Alternative finance arrangements

- Alternative property finance arrangements / relief and Green freeport relief interact with each other.
- Where alternative property finance arrangements are entered into, the ‘buyer’ for LBTT Green Freeport relief purposes is the ‘relevant person’ (a person other than the financial institution who entered into the arrangement), as set out in [LBTT Act 2013 Schedule 7](#). It is the ‘relevant person’ who will be entitled to relief and who must meet the conditions for relief.



# Example - Alternative finance arrangements

- Red (a relevant person / buyer) enters into alternative financing arrangements with a bank.
- First Transaction: The bank purchases land in a Green Freeport tax site for £3,195,000.
- Second Transaction: The bank leases the land to Red the 'relevant person', who intends to use all the land in a qualifying manner.
- The bank claims alternative property finance relief for the first transaction under Schedule 7. The 'relevant person' Red is liable for LBTT for the 'second transaction' but, as they meet the conditions for relief, they can claim Green Freeport relief under Schedule 16D.
- After 18 months Red the 'relevant person' ceases to use the land in a qualifying manner. Red as the relevant person must make a further return and is liable for the LBTT due on £3,195,000 as Green Freeport relief is withdrawn.



# Example – Alternative Finance arrangements

- Purple (a relevant person / buyer) enters into alternative financing arrangements with a bank.
- First Transaction: The bank purchases a warehouse in a Green Freeport tax site for £1,375,000.
- Second Transaction: The bank leases the warehouse to Purple the 'relevant person', who intends to use it in a qualifying manner.
- The bank claims alternative property finance relief for the first transaction under Schedule 7. The 'relevant person' Purple is liable for LBTT for the 'second transaction', as they meet the conditions for relief, they can claim Green Freeport relief under Schedule 16D.
- After 18 months a major fire destroys the warehouse and Purple is unable to use it in a qualifying manner. However as this is out with Purples control the relief will not be withdrawn.





# LBTT leases

Relief is available in full or in part for a lease where the qualifying conditions are met

## Full Relief

- Where full relief is claimed there is no requirement for 3-year review returns. Lease assignments and variations may or may not be treated as the grant of a new lease.

## Partial Relief

- Where partial relief is claimed there is a requirement to file 3-year review returns. When claiming partial relief, a review of the tax position is required under the 3 yearly review provisions.



# Grant of a new lease

- Where the grant of a new lease qualifies for full relief during the relief period, the relief will end on the earlier of:
  - the end of the lease term
  - when qualifying use ceases
- Note: relief is not automatically withdrawn at the end of the relief period



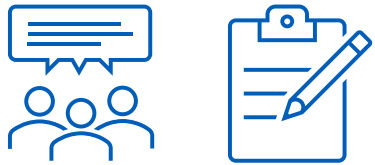
# Lease assignments

- Assignment of a lease granted before the relief period
- Where the grant of a lease was before 1 October 2023 no Green Freeport relief would be available. Any assignment during the relief period but out with the 12-month amendment period would not qualify for relief



# Variations

- Where a lease benefitting from relief is varied out with the relief period, no further relief can be claimed on variation
- Where a lease becomes notifiable during the relief period, due to a variation in term or rent, a return will be required. Relief can be claimed in such cases where qualifying conditions are met



# Withdrawal of relief - leases

- Where relief is withdrawn normal lease rules apply
- A further return is required within 30 days of the withdrawal of relief. Review returns would be due on the further return. Where appropriate thereafter assignment and or termination returns would be required



# Q&A Section

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# Ways to interact with Revenue Scotland

Contact us:



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