

Important tax changes for commercial leases



Three-year review of leases

From 1 April 2018 certain tenants in Scotland must submit a further tax return to Revenue Scotland to ensure they have paid the correct amount of LBTT.

What is LBTT?

Land and Buildings Transaction Tax (LBTT) replaced Stamp Duty Land Tax from 1 April 2015 and is payable on the purchase of residential and commercial land and buildings in Scotland. LBTT also applies to non-residential leases, including agricultural leases.

Generally, where a return for a lease has been made under the LBTT regime, a further return must be submitted to Revenue Scotland on every third anniversary of the effective date of the lease.

If more tax is payable at this point, payment must be made when the further return is submitted.

Please note a further return must be submitted every three years, even if there have been no changes to the lease or if no further tax is payable.

A further return is also required when a lease is assigned from one party to another or when a lease comes to an end (whether that is before the end of the agreed term or on the natural expiry of the lease).

Who is responsible?

The tenant is responsible for submitting the further return and for paying any tax due. The return must be filed within 30 days of the date of the three year anniversary.

If the further return is not submitted or tax is not paid on time, the tenant may be liable to penalties.

Commercial lease example

A ten-year lease of a factory is agreed and executed on 1 May 2015 and an LBTT return is submitted by the tenant.

As the effective date for this transaction was 1 May 2015, the date of the first three year review will be 1 May 2018.

The tenant must submit the further return no later than 31 May 2018.

How can a return be submitted?

Returns can be made to Revenue Scotland from 1 April 2018 either:



online at **www.revenue.scot**;



by paper.

Further information

Revenue Scotland is the tax authority responsible for the administration and collection of the devolved taxes – LBTT and Scottish Landfill Tax.

Revenue Scotland will be updating information about leases on its website and writing to tenants prior to the new requirements taking effect from 1 April 2018.

For more information, including calculators to help you work out how much tax you may have to pay, please go to **www.revenue.scot**

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