Land and property taxation in Scotland

Policy proposals for devolved taxes

Prepared for the Scottish Land Commission (SLC)

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This work was commissioned by the Scottish Land Commission in October 2020, with the final version submitted in March 2021. The report was researched and produced by Alma Economics.

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Executive summary

Land and property taxes can shape markets and incentivise positive behaviour changes. These can include providing incentives for the redevelopment of derelict sites and disincentives for negative outcomes such as unproductive use of land. Achieving these goals can be a key driver of achieving inclusive growth and a high-performing wellbeing economy in Scotland.

As part of the Scottish Land Commission (SLC) work to support tackling inequality to create a fairer and more resilient Scotland, this report explores tax reforms that could help the Scottish Land Commission achieve the aims set out in the Strategic Plan 2020 to 2023, namely that: (i) Scotland's land is owned and used in ways that are fair, responsible and productive, (ii) more of Scotland's people are able to influence and benefit from decisions about land, and (iii) the way we own and use Scotland's land creates public value and economic wellbeing.

This work builds on a comprehensive scoping study commissioned by the Scottish Land Commission, which explored opportunities for using tax to achieve land reform objectives and provided a framework within which opportunities could be assessed and implemented.[1] Building on this, the Scottish Land Commission has made two specific commitments to tax reform within its 2020-23 Strategic Plan: supporting a more diverse and productive pattern of land ownership; and advising on opportunities to bring vacant and derelict sites back into productive use. This work was commissioned to identify changes to existing devolved taxes that support the SLC's objectives and respond effectively to the challenges that the COVID-19 pandemic has posed.

To provide policies that could be enacted in the near term as a response to the pandemic recession, this report focuses on reform options for existing taxes within the Scottish Parliament's competency, i.e. non-domestic rates, council tax and Land and Buildings Transaction Tax (LBTT). The report recommends a policy package aiming to: (i) reduce the current stock of derelict properties and prevent the creation of a new legacy of derelict sites, and (ii) encourage a more diverse pattern of land ownership to ensure that the benefits of the land are spread more widely across communities.

The Scottish Government has committed to tackling derelict sites and bringing abandoned land and buildings back into use to ensure that communities benefit from the wellbeing, economic, and fiscal benefits that productive use of land generates. Bringing sites back into productive use became an even higher priority following the onset of the current COVID-19 pandemic, which has caused the abandonment of many commercial sites in urban areas due to increases in remote working and online shopping. This risks creating a new legacy of derelict sites.

In addition to creating a risk for future increases in dereliction in Scotland, the pandemic has also exacerbated inequalities with a disproportionate impact on lower-income households. With Scotland having one of the highest levels of concentration of land ownership in the world, the pandemic, therefore, creates a new impetus for considering options to encourage a more diverse pattern of land ownership that balances private and public interests.

Bringing land back into productive use can generate substantial economic benefits, including

[1] Scottish Land Commission (December 2020): Land and Property Taxation in Scotland: Initial Scoping of options for reform

boosting entrepreneurial activities, increasing employment, increasing productivity and generating additional economic activity, as well as fiscal benefits such as additional tax revenue from the economic activity associated with land regeneration.

The policy objectives of the interventions analysed in this report comprise increasing the redevelopment of derelict sites and reducing land ownership concentration. The economic implications of different policies are estimated by developing a model that uses the best available data and evidence of behavioural effects to estimate the impacts of the policies considered. The model is also used to quantitatively assess the economic impact of the tax changes on the land reform policy objectives relative to the tax foregone.

The recommended policy package includes four policies to support the Scottish Land Commission policy aims (with the first two brought in for an initial period of 5 years):

1. **Full non-domestic rate relief for the first 3 years for new non-domestic properties developed from sites that have been derelict for 2 or more years**. Over five years, the policy is estimated to lead to an additional £40-75 million worth of non-residential property being developed from derelict sites.
2. **Full council tax relief for the first 5 years for new dwellings developed from sites that have been derelict for 2 or more years**. It is estimated that this intervention could increase new dwellings built on derelict sites by approximately 100-200 per year, corresponding to an increase in homebuilding from derelict sites by around 25-50%.
3. **Introduce a new power for local authorities to apply non-domestic rates to newly derelict properties (for 2 years following dereliction)**. As there are concerns about possible hard cases (i.e. cases of genuinely accidental dereliction due to company failures or despite best efforts to avoid dereliction), introducing a local power rather than a blanket provision would introduce new incentives for property owners to avoid dereliction while avoiding creating hard cases.
4. **Introduce a 4% LBTT surcharge for landowners who own over 2,000 hectares (approximately 5,000 acres)**. Over twenty years it is estimated that this could reduce landholdings above the 2,000-hectare cut-off by 2.5%, a non-trivial effect considering that current high levels of concentration have built up over hundreds of years.

One advantage of implementing the overall package of policies described above is that the overall package is estimated to be self-funding in the 5 years following introduction (revenue neutral), i.e. the additional revenue from Policy 4 could fund the foregone revenues from Policies 1 and 2. In the longer-term, all options could increase tax receipts as additional properties built under Policies 1 and 2 move out of their initial period of tax relief and start to generate non-domestic rates and council tax. For each of the options modelled, specific details relating to the proposals (e.g. rates and thresholds) could be adjusted within the overall frameworks suggested. This could either be at the point of introduction or later on.

Going further, there is considerable scope for implementing broader and more ambitious reforms to achieve long-term policy outcomes. With the majority of land classified as agricultural or forestry, large estate owners can benefit from fiscal measures such as relief from non-domestic rates, inheritance tax and capital gains tax, which do not provide incentives for land ownership diversification. Making steps towards land value taxation, either on a comprehensive basis or just on larger private estates, would be expected to maximise incentives for productive use of land, and to create new opportunities for revenue-raising to fund other beneficial activities and for wealth redistribution.

Chapter 1

Introduction and objectives

- It is estimated that there were almost 11,000 hectares of vacant and derelict land in 2019 in Scotland. 70% have been vacant or derelict for more than ten years.
- The COVID-19 pandemic has led to a decrease in the demand for commercial spaces in urban centres, raising the risk of a new legacy of derelict properties.
- The concentration of land ownership in Scotland is among the highest in the world, with fewer than 500 landowners owning more than 50% of privately-owned rural land.
- Tax reforms can be used as a tool to achieve long-term outcomes and affect management and use of land. This work identifies tax changes that could contribute to:
    - Reducing the stock of derelict sites and preventing the creation of a new legacy of derelict land and properties.
    - Encouraging a more equal distribution of land ownership to ensure that its benefits are spread more widely.

Introduction and objectives

Introduction

The management and use of land are affected by several factors, one of which being government policies and regulations. In particular, taxes have the potential to affect behaviours, stimulate demand and supply, and achieve long-term policy outcomes. For this reason, tax reforms can be used to support a wide range of goals, including increasing diversity of land ownership, reducing the number of vacant and derelict sites, expanding agricultural tenancies and joint-venture farming, and expanding the supply of land for new housing.

The Scottish Land Commission has commissioned Alma Economics to identify changes to existing devolved taxes to support a productive system of ownership, management, and land use in Scotland. The objective of this report is to explore different classes of policies that the Scottish Government could implement to support the more productive use of land through changing behaviours of landowners.

The focus of the policy interventions presented in this proposal is twofold:

- Incentivising the development and conversion of existing derelict sites.
- Encouraging a more diverse pattern of land ownership.

In particular, this work identifies tax policy changes that could support the recovery and renewal of town centres by bringing derelict properties into productive use and preventing the creation of a new legacy of derelict properties. The work also explores tax changes that could promote the active use of land and encourage a more diverse pattern of land ownership that would allow spreading the benefits of the land more inclusively.

The analysis presented in this work explores the potential impact of each policy by estimating the impacts on tax receipts and accounting for potential administrative challenges. This empirical exercise also needs to take account of individual behavioural responses to tax changes. Behavioural responses are modelled based on findings from the empirical literature and other existing evidence.

The policies discussed throughout the report were agreed in consultation with the SLC. The analysis presented in this work focuses on devolved taxes and are therefore possible under current Scottish legislative powers. While fiscal policy is generally a reserved matter, the Scottish Parliament has control over a specific set of taxes, including council tax, non-domestic rates, and the Land and Buildings Transaction Tax (LBTT). Focusing on devolved taxes would allow implementing tax reforms that could be delivered in the short-term and have an immediate impact on the property market.

As part of the SLC work to support tackling inequality to create a fairer and more resilient Scotland, this report explores tax reforms that support the SLC to achieve the Land Rights and Responsibilities Statement's (LRRS) principles[2] (Table 1) and the outcomes set out in the Strategic Plan 2020 to 2023[3] listed below:

- Scotland's land is owned and used in ways that are fair, responsible and productive.
- More of Scotland's people are able to influence and benefit from decisions about land.
- The way we own and use Scotland's land creates public value and economic wellbeing.

The policies considered in this report build on a comprehensive review of the literature commissioned by the SLC to Alma Economics.[4] The work includes several areas of research into potential reforms to land and property taxation that build on the Scottish Government's policy objectives. Key insights on the policies considered were also informed by conversations with a number of policy stakeholders in Scotland, including the Expert Advisory Group on Tax on Land and Property.[5]

Table 1. Land Rights and Responsibilities Statement - Principles

1	**The overall framework of land rights, responsibilities and public policies should promote, fulfil and respect relevant human rights in relation to land, contribute to public interest and wellbeing, and balance public and private interests. The framework should support sustainable economic development, protect and enhance the environment, help achieve social justice and build a fairer society.**
2	**There should be a more diverse pattern of land ownership and tenure, with more opportunities for citizens to own, lease and have access to land.**
3	**More local communities should have the opportunity to own, lease or use buildings and land, which can contribute to their community's wellbeing and future development.**
4	**The holders of land rights should exercise these rights in ways that take account of their responsibilities to meet high standards of land ownership, management and use. Acting as the stewards of Scotland's land resource for future generations, they contribute to sustainable growth and a modern, prosperous country.**
5	**There should be improved transparency of information about the ownership, use and management of land, and this should be publicly available, clear and contain relevant detail.**
6	**There should be greater collaboration and community engagement in decisions about land.**

[2] The Scottish Land Rights and Responsibilities Statement. Available at: https://bit.ly/3ds1Irp

[3] SLC strategic plan 2020 to 2023 is available at: 5f71a0750fc55_Scottish Land Commission Strategic Plan 2020-23.pdf

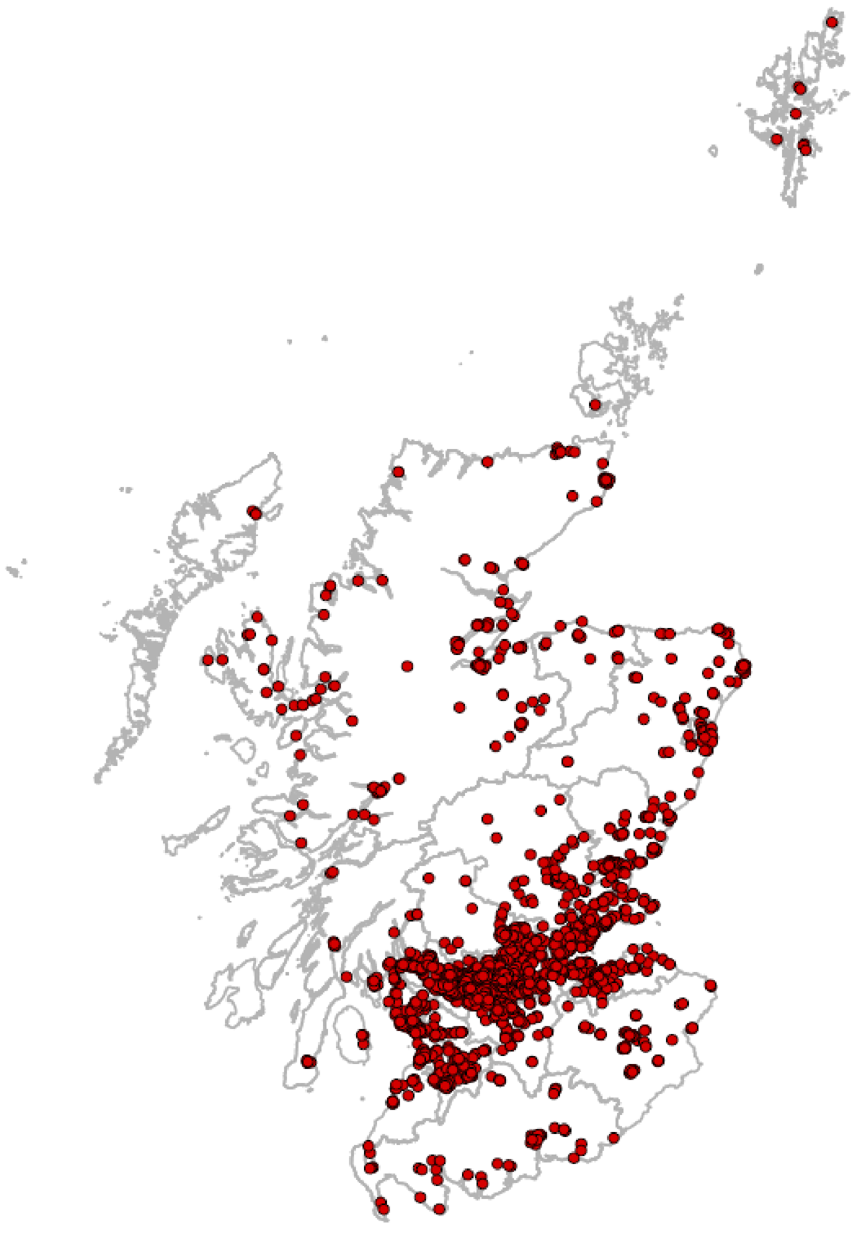
[4] Land and property taxation in Scotland: Initial scoping of options for reform. Available at: https://bit.ly/3k4dl9a

[5] The notes from the meeting with the Expert Advisory Group on Tax on Land and Property are available at: https://www.landcommission.gov.scot/our-work/tax-fiscal/expert-advisory-group-on-tax-on-land-and-property

Incentivise for the redevelopment and conversion of derelict sites

According to the 2019 Scottish Vacant and Derelict Land Survey (SVDLS), there are almost 11,000 hectares of vacant and derelict land in Scotland, 70% of which have been vacant or derelict for more than ten years (Figure 1). With more than 3,500 vacant and derelict sites across Scotland, almost one-third of the Scottish population lives within 500 meters of a vacant or derelict site. In deprived communities, this proportion increases by up to 55%.[6]

Figure 1. Location of vacant and derelict land (and buildings) in Scotland

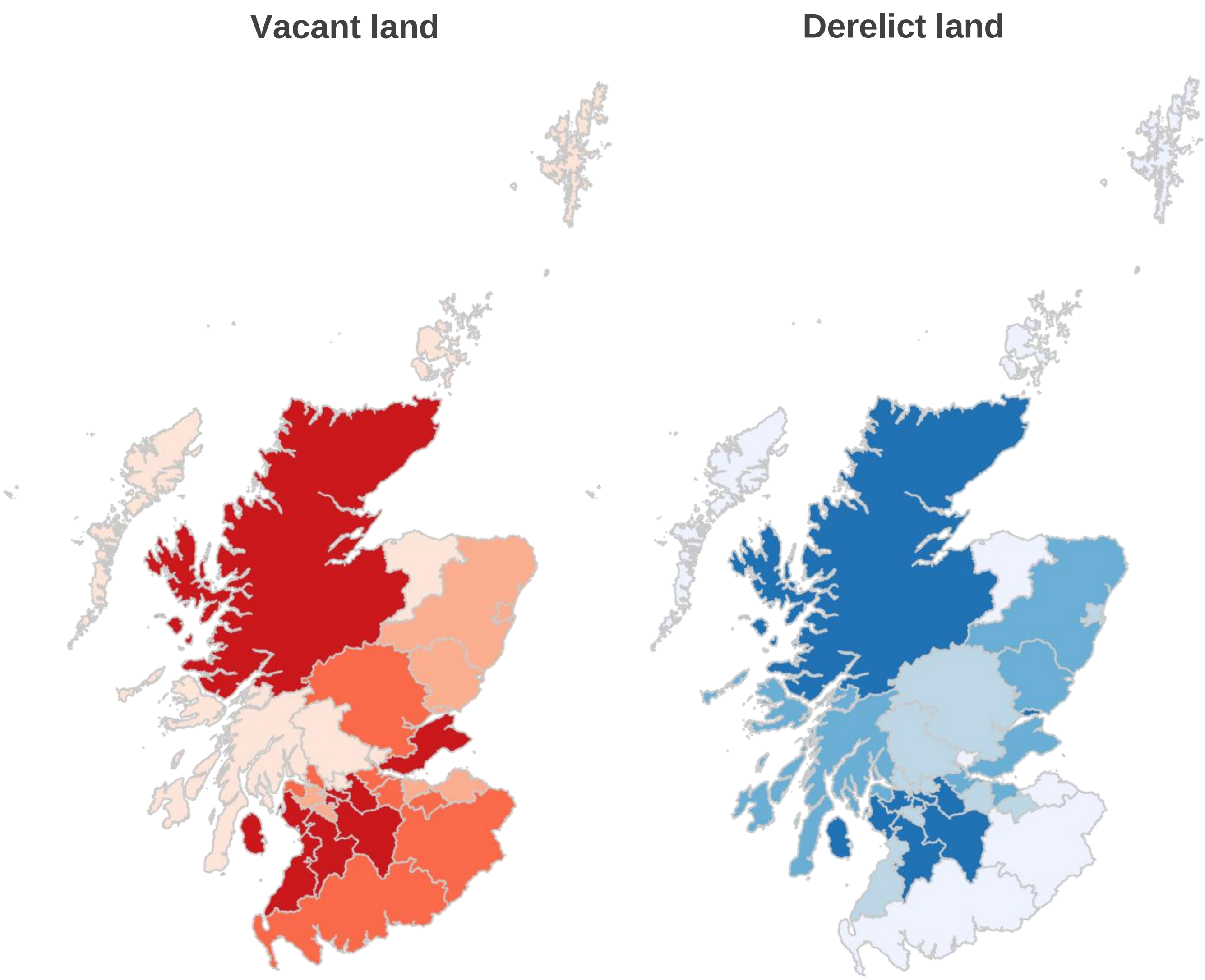


Source: SVDLS, 2019

[6] Scottish Government (April 2020), Scottish Vacant and Derelict Land Survey.

In 2018 the SLC created the Vacant and Derelict Land Taskforce to address the legacy of vacant and derelict land. The Vacant & Derelict Land Taskforce Recommendations published in October 2020 highlighted the opportunities that land reuse would bring to society. In particular, getting abandoned and unloved places back into use “*could help us tackle climate change, improve health and wellbeing, create more resilient communities and rebuild our economy in a way that helps everyone achieve their full potential*”. [7]

Figure 2. Concentration of vacant and derelict land across Scotland



Source: SVDLS, 2019. The maps show councils with the highest number of vacant (red) and derelict (blue) land. A higher concentration of vacant and derelict land is shown with darker colours.

[7] The Vacant & Derelict Land Taskforce Recommendations document is available at: https://www.landcommission.gov.scot/downloads/5f759d9a7f69f_VDL%20Overview_1.10.20.pdf

The SLC defines land productivity across three different dimensions economy, society, and cultural aspirations.[8] Increasing productive use of land aims to improve people's wellbeing by increasing access to land and ensuring that the benefits are shared according to principles of fairness and equality within communities.

The benefits deriving from productive use of land have been extensively documented. In a recent report, the SLC lists the benefits of regenerating and bringing vacant and derelict land back into productive use and proposes a framework to identify and quantify these benefits.[9] The benefits are grouped into three categories, including wellbeing benefits. Some of the benefits associated with each category are listed below:

- **Wellbeing benefits**. Bringing back to use vacant and derelict sites can help with tackling environmental issues, improving health, and building inclusive and resilient communities.
- **Economic benefits**. The reuse of vacant and derelict sites can have direct economic benefits in local areas, such as boosting entrepreneurial activities, increasing employment, increasing productivity and generating additional economic activity.
- **Fiscal benefits**. The renewal and regeneration of vacant and derelict sites could bring significant fiscal benefits. One of the main benefits is the additional taxes generated from the economic activity associated with the regeneration of vacant and derelict sites. Another fiscal benefit arises from the potential savings for the public sector in areas that were brought back to use due to lower crime, better health outcomes and increases in employment opportunities.

While tackling vacant and derelict land has been high on the agenda of the SLC since its establishment, this has become even more important following the COVID-19 pandemic. Since the start of the pandemic, the increase in remote working and online shopping has led to a decrease in the demand for offices and retail spaces in urban centres. This has resulted in numerous commercial sites in urban areas becoming empty.

The Town's Centre Review Group recently reviewed the Town centre Action Plan and considered what the role of town centres should be and how to promote greener, healthier and more equitable and inclusive town centres going forward. The recovery from the impact of COVID-19 is central to the review, and recommendations are provided to introduce changes to the current tax system that reflect the rapid rise of online activities.[10]

Similarly, due to the long-term consequences that the COVID-19 pandemic might have on the property market in Scotland, one of the recommendations of the Vacant and Derelict Taskforce is to use the tax system to repurpose empty commercial properties and avoid the creation of a new legacy of empty properties that may then become derelict.

In line with these recommendations, this report examines property taxes that could provide the Scottish Government with flexible and practical tools to implement to encourage the development and conversion of abandoned properties and reflect on tools to prevent empty properties from becoming derelict.

[8] Making More of Scotland's Land. Strategic Plan 2018 to 2021. Available at: https://www.landcommission.gov.scot/downloads/5dde93e166299_Scottish-Land-Commission-Strategic-Plan-2018-21-ENGLISH.pdf

[9] The Guidance on Assessing the Full Economic Benefits of the Productive Reuse of Land is available at: https://www.landcommission.gov.scot/downloads/5f48e7a98c655_Land%20Reuse%20Framework.pdf

[10] A New Future for Scotland's Town Centres is available at: A New Future for Scotland's Town Centres - gov.scot (www.gov.scot)

Encouraging a more diverse pattern of land ownership

Policymakers and academics have long recognised that Scotland's concentration of land ownership is among the highest in the world.

There are no official figures on the degree of concentration of land in Scotland. However, recent studies based on surveys and case studies estimated that approximately 1,200 landowners own about 70% of land in Scotland (Hindle et al., 2014; Wightman, 2013)[11] and that 432 landowners own 50% of privately-owned rural land (Land Reform Review Group, 2014; Hunter et al., 2014).

The main reason land ownership is highly concentrated in Scotland is due to historical relationships between owners and tenants during the 18th and 19th centuries. Despite some large estates going through a fragmentation process at the beginning of the 20th century (Glass et al., 2019), over the past few decades, the distribution of land remained almost unchanged, and this pattern is unlikely to change in the near future (Thomson et al., 2016; McKee et al., 2013; Wightman, 2013).

In this context, the Scottish Land Rights and Responsibilities Statement published in 2017, which is the first such statement in the world, set out the vision to ensure a strong relationship between Scotland's land and people and to balance public and private interests such that the benefits from the land are spread widely.[12]

While the evidence on a causal link between the diversity of land ownership and outcomes for the wider community (whether positive or negative) is relatively nascent, it has been argued that the pattern of land ownership does influence economic, social, and environmental development (Thomson et al., 2016) and that land use decision made by landowners can have a direct impact on communities (Hindle et al., 2014; McKee, 2013, 2015).

In addition, as documented in a recent study by Glenn et al. (2019), in some parts of Scotland the concentration of land ownership impedes economic development and causes significant and long-term harm to the communities affected.

The SLC highlighted a range of economic benefits associated with access to land, including supporting local economic development by creating opportunities for local businesses, tackling inequality, and providing opportunities for innovation and collaboration between landowners and communities.[13]

In a report to Scottish Ministers published in 2019,[14] the SLC provided recommendations to deliver the Principles of the LRRS. In particular, Principle 2 states that "*there should be a more diverse pattern of land ownership and tenure, with more opportunities for citizens to own, lease and have access to land*". With respect to this Principle, the SLC proposed investigating the risks of concentrated land ownership and ways to increase opportunities for people to acquire land. The ministers welcomed recommendations, and invited the SLC to go

[11] Hindle et al. (2014) estimated that 70% of Scotland rural land is owned by 1,125. Wightman (2013) estimated that 67% of privately owned rural land is owned by 1,252 landowners.

[12] The Scottish Land Rights and Responsibilities Statement is available at: https://www.gov.scot/publications/scottish-land-rights-responsibilities-statement/

[13] Diversification of Ownership and Tenure. Available at: https://www.landcommission.gov.scot/our-work/good-practice/diversification-of-ownership-and-tenure-negotiating-transfer-of-land-to-communities

[14] Review of Scale and Concentration of Land Ownership. Report to Scottish Ministers. Available at: 5dd7d77021f04_Report-to-Ministers-Scale-and-Concentration-Land-Ownership-FINAL-20190320.pdf (landcommission.gov.scot)

further and explore ways to encourage more diverse private ownership.[15]

In light of the Principles set out by the Scottish LRRS and the SLC objectives, this work explores the introduction of tax policies as key levers to support a more diverse pattern of ownership in Scotland and increase the economic, social and cultural value from the land.

[15] The written response to the report is available at: 5dd677ff76f15_Response-from-Minister.pdf (landcommission.gov.scot)

Chapter 2

Policy background

- The Scottish Government has recently introduced incentives to repurpose/reuse vacant properties, such as:
    - Increasing council tax on long-term unoccupied properties.
    - Applying non-domestic rate reliefs to newly occupied properties that were vacant.
- There is no intervention in place for long-term derelict sites or sites that move from being vacant to being derelict.
- Over the last decade the Scottish Government has introduced reforms to tackle land concentration and promote community ownership.
- However, large estates owners can currently benefit from tax measures that discourage diversifying ownership.

Policy background

Existing land and property devolved taxes

While Scotland has existing powers to introduce new local taxes designed to fund local authority expenditures, the scope of this modelling exercise is to focus on tax instruments that are within the Scottish Parliament's competency. This report, therefore, focuses on existing taxes and policies that could be delivered in the short-term and have an immediate impact on the property market. These include council tax, non-domestic rates, and Land and Buildings Transaction Tax (LBTT).

Council tax

Council tax is a local tax collected by local authorities and is applied to residential properties ("chargeable dwellings").[16] It is charged to occupiers (either the owner or the tenant) of residential property, and in case of non-occupation, to the owner. The amount of the tax is calculated based on the assigned valuation band, from A (lowest) to H (highest), which depends on the value of the property (Table 2).

Valuation bands vary across councils with thresholds based primarily on property valuations conducted in 1991. Under the current system, there are various reliefs from council tax in the form of discounts, reductions, and exemptions. There are several different bases for these reliefs, but the primary bases for many of the reliefs is a lack of occupancy. Some properties are also exempt from council tax, such as properties where all occupants are students, condemned properties and properties occupied by young adults who left the care of local authority.

Table 2. Council tax valuation bands in Scotland

Council tax band	Property value
A	Up to £27,000
B	Over £27,001 and up to £35,000
C	Over £35,001 and up to £45,000
D	Over £45,001 and up to £58,000
E	Over £58,001 and up to £80,000
F	Over £80,001 and up to £106,000
G	Over £106,001 and up to £212,000
H	Over £212,000

Source: Local Authorities[17]

[16] Throughout the report, the terms residential and domestic, when referring to properties, are used interchangeably (i.e. residential property and domestic property have the same meaning). The same will apply to non-residential and non-domestic.

[17] Data on council tax valuation bands in Scotland are available at: https://www.gov.scot/publications/council-tax-datasets/

Due to the COVID-19 pandemic, further council tax reductions have been introduced. Properties unoccupied from or after 17 March 2020 are exempt from council tax if they were previously occupied only by students or people under 18. In addition, if the owner of an unoccupied property struggles to pay council tax because they cannot re-let or sell properties for reasons related to COVID-19, the council tax payment can be negotiated with councils.

Non-domestic rates

Non-domestic rates (also known as "business rates") are a tax on non-domestic properties collected by local authorities. They are calculated by multiplying the rateable value of a property (an estimate of current rental value) by a tax rate, known as "poundage". In Scotland, there are three different tax rates based on the value of the property (Table 3).

Similar to council tax, non-domestic rates can also be subject to reliefs. Reliefs apply to empty properties, charities and agricultural properties. Additional reliefs were applied to businesses affected by COVID-19 since 1 April 2020. For example, unoccupied hospitality and leisure business property will get 100% relief until 31 March 2021.

Table 3. Non-domestic tax rates applied in Scotland

Rate	Poundage	Value of the property
Basic Property Rate	49.8 pence	Below £51,000
Intermediate Property Rate	51.1 pence	Between £51,001 and £95,000
Higher Property Rate	52.4 pence	More than £95,000

Land and Buildings Transaction Tax

The Land and Buildings Transaction Tax was introduced in Scotland in 2015 to replace the Stamp Duty Land Tax (SDLT). LBTT is imposed on buyers at the point of sale (or lease) of land and is, therefore, transaction dependent. LBTT is applied to all residential transactions and non-residential land and building transactions. The tax rate applies to the transaction, and therefore the payable amount is determined by the purchase price of the property (Table 4 and 5).

Due to the COVID-19 pandemic, the Scottish Government has temporarily increased the LBTT threshold to £250,000 on residential properties. The new threshold applies until 31 March 2021.

Table 4. LBTT applied on residential transactions

Tax rate	Purchase price
0%	Up to £145,000
1%	above £145,000 to £250,000
5%	above £250,000 to £325,000
12%	over £750,000

Table 5. LBTT applied on non-residential transactions

Tax rate	Purchase price
0%	Up to £150,000
1%	above £150,000 to £250,000
5%	above £250,000

Existing policies to incentivise more productive use of land

In recent years, the Scottish Government has introduced several measures to encourage more productive use of land. Policy interventions have included a mix of policy changes aiming at (i) reducing the taxation of activities to incentivise, i.e. the development and conversion of existing properties, (ii) increasing the taxation of activities to discourage, i.e. discouraging land and property owners from keeping their properties out of the market, and (iii) encouraging the more equal distribution of land. Some of the main interventions include council tax on empty properties, non-domestic rates on empty properties, VAT exemptions on newbuild properties, and land reforms to encourage diversification of land ownership.

Council tax on empty properties

In 2005, the Scottish Government introduced legislation aimed at increasing the supply of housing by bringing back into use long term empty properties. Under the new legislation, councils were allowed to reduce the existing 50% council tax discount available to 10% on properties empty for 12 months.

Under current regulations, councils can offer empty homes a discount of 10% to 50% if the home is unoccupied for 6-12 months. If the property is unoccupied for more than 12 months, councils can increase council tax by up to 100%. This is applied on a case-by-case basis and at the discretion of the local authority.

Non-domestic rates on empty properties

In recent years, the Scottish Government has progressively reduced the levels of empty property relief available to businesses in order to incentivise the development and productive use of non-residential properties.

Currently, all empty properties are eligible for 50% relief for the first three months they are empty, and 10% after that. Different regulations apply to empty industrial properties, which can get 100% relief for the first six months of being empty and a 10% discount after that.

Another way to incentivise the use of empty business properties is the Fresh Start scheme. Under Fresh Start, businesses that occupy long-term empty properties may be entitled to a 100% non-domestic rate discount for the first year. Businesses are eligible for the discount if they occupy a property that had been empty previously for at least six months and where the property had a rateable value under £65,000.

An additional relief, the Business Growth Accelerator Relief, has been introduced for newbuild properties as well as expansion and improvements of non-residential properties. Under this scheme, eligible properties are exempt from non-domestic rates for the first 12 months since occupancy.

VAT exemptions

In addition to VAT exemption on newbuild residential properties, further VAT exemptions have been introduced on converted properties to stimulate the creation of additional dwellings. In order to claim VAT, the property must have been a non-residential building before the conversion or a residential building that had not been lived in for more than ten years.

Current policies to encourage diversification of land ownership

Compared to other countries, there are relatively few measures in place in Scotland targeting who can own land and how much land can be owned by a single individual (Glass et al., 2018). However, in recent years, new land reforms have focused more on the public interest and benefits of land rather than landowners' private rights (Peacock, 2018).

In 1997, the Land Reform Policy Group and the Scottish Land Fund were established to encourage the more equal distribution of land and support rural communities to purchase land. In addition, new legislation was introduced to facilitate the purchase of land from local communities. The main interventions are listed in Table 6.

Table 6. Legislation introduced to support local communities to purchase land

Policy	Year	Aim
The Abolishment of Feudal Tenure etc. (Scotland) Act	2000	Introducing a system of outright ownership and replacing the system of feudal superiorities and tenure
The Land Reform (Scotland) Act	2003	Providing communities with the right-to-buy land at market value
The Agricultural Holdings (Scotland) Act	2003	Providing new forms of agricultural tenancies
The Community Empowerment Act (Scotland)	2015	Extending the right-to-buy to communities irrespectively of the size of the community
The Land Reform (Scotland) Act	2016	Extending community right-to-buy to sustainable development

Offering communities the right-to-buy land is a policy intervention aimed at encouraging a more diverse pattern of land ownership and spreading the benefits of land more inclusively. In particular, the Land Reform (Scotland) Act (2003), The Community Empowerment Act (Scotland) (2015) and the more recent Land Reform (Scotland) Act (2016) have focused on the importance of land reforms as a tool to empower a greater number of people and build a fairer society.

The right-to-buy scheme introduced by the reforms mentioned above was paired with several fiscal incentives introduced to encourage the take-up of community ownership, including tax exemptions and reduction of non-domestic rates liability. The implementation of land reforms since the beginning of the 2000s has led to a growth in community ownership of land, with portions of large privately owned estates often purchased by communities in conjunction with environmental organisations (Glass et al., 2019).

However, with over 90% of land classified as agricultural or forestry, large estate owners can benefit from fiscal measures such as relief from non-domestic rates, inheritance tax and capital gains tax. These measures discourage diversifying ownership across family members or selling sections of estates.[18]

[18] "Land and property taxation in Scotland: Initial scoping of options for reform", 2019. Available at: https://www.landcommission.gov.scot/news-events/news/changes-to-the-land-and-property-tax-system-could-support-scotlands-recovery-and-renewal

Chapter 3

Policy options considered

- LBTT, council tax, and non-domestic rates are within the Scottish Parliament's competency. Changes to these policies could be delivered in the short-term and have an immediate impact on the property market.
- The policy package considered aims to (i) reduce the stock of derelict sites, (ii) prevent the creation of a new legacy of derelict sites, and (iii) encourage a more equal distribution of land.
- The policy intervention includes:
  - Non-domestic relief and council tax reduction on derelict sites that are redeveloped/converted.
  - LBTT surcharge for landowners with large holdings of land.
  - Introducing a power for local authorities to apply non-domestic rates on newly derelict sites.

Policy options considered

This section outlines the list of policies considered in this report. The section focuses on existing taxes that are within the Scottish Parliament's competency, and where reforms could be delivered in the short-term to have a relatively immediate impact on the property market, rather than introducing new taxes.

Section A considers tax incentives that could encourage the redevelopment/conversion of both residential and non-residential derelict properties. The design of these policies needs to take into account: (i) the scope of the policy (i.e. qualifying activities), (ii) the level of relief provided, and (iii) the duration that reliefs will apply for.

Section B addresses policies that could encourage a more diverse pattern of land ownership with the aim of spreading the benefits of land more inclusively. The design of these policies focuses on: (i) the different lands or property in scope, (ii) the different types of fiscal interventions that could support the more equal distribution of land, and (iii) the extent of the tax change (either increases or decreases).

The analysis takes into account the impact of single policies, as well as the impact of a combination of policies. For each of the policies listed below, additional sub-options could be created that vary the key parameters of policy design, e.g. durations of tax discounts/increase, generosity of discounts/increase, etc.

A. Policies to encourage the redevelopment of derelict sites

Property taxes can be used to incentivise the redevelopment/conversion of derelict sites. As mentioned in the previous chapter, property taxes could also provide a flexible and practical policy tool to implement in response to the significantly reduced demand for offices and retail spaces due to COVID-19 to avoid creating a new legacy of redundant non-residential properties.

The only current source of information on derelict sites is the public register based on the Scottish Vacant and Derelict Land Survey (SVDLS) data. This register has several limitations (see Chapter Data sources in the Appendix for further details about the SVLDS and its limitations). Therefore, it could not be used as a legal basis for providing tax reliefs. However, it still provides a helpful basis for the purpose of the analysis conducted in this work and exceeds reporting of vacant and derelict sites in most other countries.

Whilst the SVDLS does not provide a robust basis for a legal definition of derelict land, an alternative option would be to create a definition that uses the valuation list for council tax and non-domestic rates. It is proposed to define derelict properties as those not included in the valuation list and/or those whose rateable value is set at zero (with valuation practice varying between the two options). This indirect option for defining derelict land avoids the issue of having to create a watertight legal description of what it means for a site to be derelict.

To avoid creating incentives for sites to be rendered derelict (before they are redeveloped), thus benefiting from the tax incentives, it is suggested that a minimum period of dereliction should be required as a qualifying criterion for the reliefs below. It is provisionally suggested that this should be a 2-year minimum period, which is seen as long enough to avoid creating new incentives to render property derelict but short enough to make the majority of existing derelict buildings eligible for the relief.

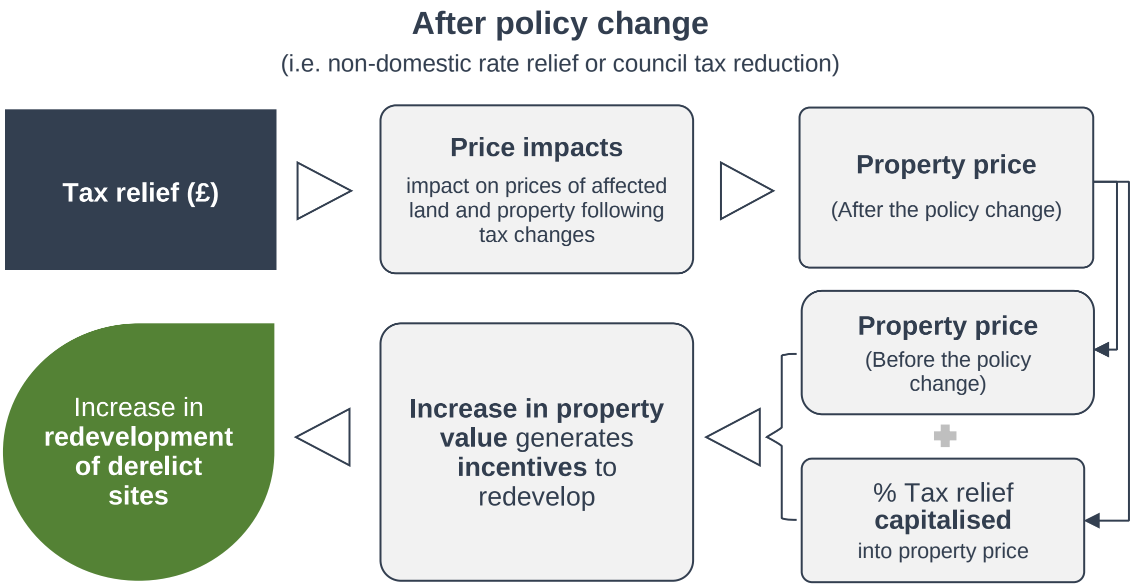
In order to tackle derelict sites and bring them back into productive use, the following policies are considered:

Policy 1: Non-domestic rates relief for redevelopment of derelict sites. To incentivise the redevelopment of non-domestic derelict sites, a non-domestic rate relief that would apply once a site is redeveloped has been modelled. Relief for non-domestic rates on properties redeveloped from derelict sites would increase the return on investment of redeveloping a property due to raising its sale value, with the relief applying from the point when a newly developed property would normally begin to pay non-domestic rates. This increased rate of return would provide potentially strong incentives for redevelopment (Figure 3).

Policy 2: Council tax relief for redevelopment of derelict sites. Introducing council tax relief on a redeveloped derelict site would serve as an incentive to transform derelict sites into residential properties. Similar to the non-domestic rate relief described above, a council tax relief would increase the profitability of the redevelopment, incentivising this activity as the relief could be capitalised into the property price.

Figure 3 shows how taxes can be used to incentivise the redevelopment of derelict sites. Under Policies 1 and 2, it is the subsequent buyer of the property who would benefit from tax relief rather than the developer. However, this leads the market value of the redeveloped property to be higher than in the absence of the relief. This increase in property value could create incentives for development by increasing the profitability of sites for developers and/or increasing the availability for sale of derelict sites.

Figure 3. Graphic representation of the behavioural response to tax relief



The reliefs considered above aim to encourage property owners to develop or convert properties using derelict sites. This will serve to boost the development of new house-building projects or commercial spaces. Depending on the policy target, reliefs could be applied to sites that were derelict for at least two years since the introduction of the policy. This requirement could be introduced to stimulate the development of properties that would not have been developed in the absence of the support provided by the tax relief.

Unlike other fiscal measures introduced to discourage property and landowners from keeping their properties vacant, the advantage of applying discounts once properties have been developed rather than before is unlikely to encourage inefficient land use. An increase in taxes on empty properties, for example, might encourage demolition (as no tax is applied on derelict properties and land). Similarly, reliefs on empty properties might incentivise owners to keep their properties unoccupied.

It is important to note, however, that targeted incentives might generate displacement effects. In this case, the introduction of reliefs for brownfield development might result in a reallocation of investment from greenfield development to brownfield development. In other words, part of the effect of the intervention would be due to new investment in brownfield sites and partly to investment that in the absence of the policy would have been directed to greenfield sites.

While displacement effects are important and are accounted for in the analysis, a reallocation of investment from greenfield to brownfield sites would be expected to have positive environmental benefits, as the health benefits associated with brownfield redevelopment are higher than the ones associated with greenfield development (De Sousa, 2000). Some of these benefits include the reduction of development pressure on greenfield sites, the protection of soil resources and groundwater, and better quality of land, air, and water.

Previous research also shows that due to their proximity to city centres and the better access to public transportation, brownfield development neighbourhoods reduce gas emissions due to lesser commuting compared to greenfield neighbourhoods (Nagengast et al., 2011). Therefore, brownfield land development could improve environmental quality and contribute to reach the gas emission targets set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019.[19]

Policy 3: A power for applying non-domestic rates to newly derelict properties. Under the current system, derelict properties are not subject to non-domestic rates. This might generate distortive incentives as:

- It incentivises owners not to bring derelict properties back to productive use, as no tax applies to such properties.
- It encourages owners of vacant properties, which are instead subject to (partially reduced) non-domestic rates, to demolish buildings. Gareth and Franks (2010) showed that the lack of and anti-avoidance legislation that prevents owners from demolishing their property has contributed to buildings' demolition to avoid non-domestic rates.

For the reasons presented above and to prevent the creation of a new legacy of derelict properties, we propose to introduce a power for local authorities to apply non-domestic rates on newly derelict properties for a limited period of time following dereliction in order to avoid

[19] The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 is available at: https://www.legislation.gov.uk/asp/2019/15/contents/enacted

making an unreasonable charge. Given that derelict properties have zero rateable value, this would need to be with reference to the pre-dereliction rateable value.

As there are concerns about possible hard cases (i.e. cases of genuinely accidental dereliction due to company failures or despite best efforts to avoid dereliction), it is suggested that this policy tool should be a power for local authorities rather than a blanket provision. The threat of a charge could be used to drive behavioural changes while reducing the risk of hard cases.

Land and Building Transaction Tax (LBTT) relief on properties redeveloped from derelict sites

Another policy considered during our review is the option of introducing LBTT relief on the sale of properties redeveloped from derelict sites. Similar to Policies 1 and 2 presented above, the relief could encourage redevelopment from derelict sites by raising the sale price of redeveloped properties.

This policy was assessed to create the same redevelopment benefits per £1 of tax relief but was discarded for a number of reasons:

- Firstly, omitting LBTT from the policy package would reduce legal and administrative complexity without affecting the impact on redevelopment. This is because the policy was assessed to create the same redevelopment benefit per £1 of tax relief as Policies 1 and 2. Therefore, it is possible to achieve the same outcomes extending the relief in Policies 1 and 2 with reforms to two taxes rather than three.
- Secondly, LBTT is already levied at relatively low levels on most residential properties, with many low-value properties paying zero LBTT. This makes it a weak incentive for residential redevelopment and may create artificial incentives for developers to shift further away from building affordable dwellings.

B. Policies to encouraging a more diverse pattern of land ownership

Policy 4: Applying an LBTT surcharge for those with existing large landholdings. The policy package considered also includes introducing a tax policy that could increase incentives for a more diverse pattern of land ownership with the aim of encouraging more productive use of land by increasing the economic, social and cultural value of the land. The policy included in this section also aims at promoting a range of scales of ownership, enabling a greater range of use of different ownership models for the management of land. This includes attracting alternative sources of capital, such as small-scale private ownership, to support development.

The policy proposal here would be to introduce an LBTT surcharge on new purchases of land or property for existing large holders of land. Introducing an LBTT surcharge on new purchases for large holders of land could be used to disincentivise the acquisition of new land by large landowners.

The LBTT surcharge should target large holders of land whose property is above a defined threshold (see Chapter “Methodology” for more details). Provisionally, the proposed surcharge would not apply to charities and non-profit organisations. However, for tax avoidance reasons, it might be necessary to limit the exclusion to charities only, and robust anti-avoidance legislation will be required to prevent owners from fragmenting their ownership to claim it is artificially low. For example, an individual could split its landholdings into separate parts each owned by a separate company and claim that each company is below the threshold for the LBTT surcharge. In this case, the legal basis for the charge would need to “look through” the companies to the ultimate owner of the land.

The advantage of combining Policies 1, 2, and 4 is that they would represent a revenue-neutral policy package. Indeed, the cost of the Policies 1 and 2 would be covered by the revenue generated by Policy 4 (see Chapter “Results” for details on the cost and revenues associated with the policy package).

LBTT relief for disposals of land by large holders of land

During the review carried out in this work, it was considered combining the LBTT surcharge described above (Policy 4) with LBTT relief for disposal of land for large landowners. Such relief could be used to incentivise large owners of land in Scotland to sell part of their land, as the relief would increase the value of land disposed.

This intervention could incentivise the dilution of large estates by encouraging large landowners to increase their disposals. The analysis suggested that this intervention could achieve similar results to Policy 4 with respect to improving the diversity of ownership and reducing land concentration.

However, there are compelling reasons not to proceed with this policy:

1. Firstly, and from a legal perspective, it is not straightforward, in that it would introduce a relief for buyers that is with reference to the situation of a seller. This would be administratively burdensome and could lead to one party paying the wrong level of tax due to information provided to them by someone outside of the taxable element of the transaction (i.e. the seller).
2. Secondly, this measure would be costly. In addition to significant direct costs, it might also open new avenues for tax avoidance, which could raise the cost even further.
3. Thirdly, the tax relief would be applied to relatively wealthy individuals, thus redistributing towards high wealth individuals.

Council tax reform: introducing a new band on high-value properties. Another intervention considered during this project that is not currently proposed as part of the core policy package is the option of introducing a new top rate of council tax. This would partly reduce the current regressive nature of this tax, whereby higher value properties pay lower council tax relative to the value of the property being taxed. It would also create opportunities for revenue-raising and/or using additional funds to reduce council tax on lower value properties.

This intervention was discussed during the meeting with the Expert Advisory Group as an option to stimulate a more diverse pattern of land ownership. At this point, the policy has not been included in the core package of proposals on the basis that it would be better first to scrutinise similar options for going further, such as moving to a comprehensive system of land value taxation. Nonetheless, the box below provides an illustrative example of the extra revenue that could be generated by introducing a new council tax band (Band I) on a proportion of existing properties currently in the top council tax band.

Introducing a new council tax Band (Band I) on high-value properties

The amount paid for council tax in Scotland is determined by property values that fall within eight pay bands (A-H). The band thresholds are calculated based on 1991 property valuations. Since valuations have not been updated since 1991, there is great inequality between areas based on differences in the growth rate of house prices. In addition, the council tax (calculated as a proportion of the value of the property) is higher for lower-value properties than for higher-value properties.

Under the current system, all Band H properties pay the same amount of council tax, despite the large difference in the property value between properties at the top and the bottom of the band.

Introducing a new council tax band for highest value properties (those at the top of the current Band H) could reduce incentives for owning more properties than is needed, improving diversity and raising accountability with the relatively wealthy making a fairer contribution.

A suggestion for the new Band I is for it to have a ratio to Band D equal to 1080/360, which means that properties in Band I would pay three times the amount of council tax charged to properties in Band D.

The estimates suggest that, if applied to 30%-50% of the top value properties currently in Band H (corresponding to approximately 4,200-7,000 properties), the new council tax Band I could generate around £3-£5 million of additional revenue per year.

Chapter 4

Methodology

- The policies are modelled to estimate their economic implications on the stock of residential/non-residential sites redeveloped from existing derelict sites as well as land concentration.
- The economic model accounts for behavioural responses to tax changes by including behavioural assumptions based on the best available evidence in the academic and grey literature.
- The model estimates the impact of the following policies:
    - Policy 1: three years of non-domestic rate relief (100%) on redeveloped derelict sites.
    - Policy 2: five years of council tax reduction (100%) on redeveloped derelict sites.
    - Policy 4: introducing a 4% LBTT surcharge for large landowners (above 2,000 hectares).

Methodology

Evidence review

The first phase of the methodological approach consisted of reviewing the empirical literature on the impact of tax reforms and behavioural effects in response to policy changes, focusing on existing evidence of housing supply response to tax incentives and subsidies. There are relatively few empirical studies focusing on direct links between tax and property development, but there are some examples that show that tax incentives can have a positive impact on housing supply in the US context (Lutz, 2015; England et al., 2013). Similar studies have been conducted in the UK, with a focus on tax subsidies and changes in planning policies (Pryce; 1998; Bramley, 1993).

However, the comparison between housing supply elasticity between the US, as well as other countries such as France or Germany, and the UK, shows that the housing supply response is different across countries, with the housing supply elasticity in the UK being relatively smaller compared to other countries (Ball et al., 2010; Barker 2003, 2004). This is due to several factors, including structural differences in the housing market, regulations, and the way that house building operates. For this reason, the evidence review has focused primarily on research outputs and studies with a focus on the UK.

During this phase, the literature on the impact of changes in taxes on empty and derelict properties on housing development and housing supply was also reviewed. Evidence of tax-based mechanisms applied to urban regeneration introduced in Ireland shows that property taxes can incentivise housing development (Williams and Boyle, 2012; Williams, 2006; McGrael et al., 2002). Similarly, Crowe (2019) shows that recent incentive schemes introduced by the Scottish Government (e.g. the Town Centre Empty Homes Project) to reuse existing vacant buildings have been successful in converting existing buildings into affordable houses.

Moreover, during this phase, the empirical literature on the impact of tax changes on land and building transactions was reviewed to investigate the extent to which changes in LBTT could affect transactions. The most comprehensive and up to date evidence on the changes in residential transactions caused by changes in SDLT is published by the Office for Budget Responsibility (OBR).[20] The estimates produced by the OBR show that an increase in SDLT significantly reduces the number of transactions.

Economic modelling

Three different policies are modelled to estimate their economic impacts. The model results aim to provide a better understanding of the impact of the different policies on tax revenues, the development of derelict sites, and the diversity of land ownership.

Starting from a range of inputs, which include policy parameters and behavioural assumptions based on existing empirical evidence, the model converts inputs into outputs that can be used for policy appraisal. For this project's purpose, the model has been designed to measure the

[20] More details on residential SDLT elasticities estimated by the OBR are available at: https://obr.uk/docs/dlm_uploads/SDLTelasticities.pdf

potential impact of fiscal incentives around (i) reducing the stock of derelict sites and (ii) encouraging a more diverse pattern of land ownership.

The model is underpinned by parameter estimates for behavioural responses to tax changes as well as publicly available data sources. A description of the data and the assumptions made in the course of this economic modelling exercise can be found in the Appendix.

The policies included in the modelling exercise are summarised in Table 7. The model provides estimates of the impact of individual policies, as well as the impact of a combination of policies. For each of the options listed below, additional sub-options can be created that vary the key parameters of policy design, e.g. durations of tax discounts/increase, generosity of discounts/increase, etc. To consider the impact that the assumptions made have on model outcomes, model results are presented under different scenarios (see Chapter "Results" for details).

In principle, the incentives generated by Policies 1, 2, and 4 might be stronger or weaker due to interactions with other taxes currently in place. This has been partly mitigated by the fact that the behavioural parameters used in the model are estimated in the empirical literature from situations in which other taxes applied. For example, where the OBR has estimated the impact of SDLT on transactions, this was estimated as a marginal change, but transactions would also have been affected by other taxes such as capital gains tax and consideration of future inheritance tax liabilities.

Table 7. Summary of the policies modelled

Policies	Applies to	Policy change
1. Non-domestic rates relief	Redeveloped/converted non-residential properties that were derelict (for at least 2 years) before redevelopment/conversion	Three years 100% non-domestic rate
2. Council tax reduction	Redeveloped/converted residential properties that were derelict (for at least 2 years) before redevelopment/conversion	Five years 100% council tax reduction
4. Land and Building Transaction Tax (LBTT) relief	Landowners who own above 2,000 hectares (approximately 5,000 acres)	4% LBTT surcharge on land acquisitions

Policies modelled to encourage the redevelopment of derelict sites

Policy 1. Non-domestic rates relief

Under this policy, redeveloped and converted derelict sites would benefit from 100% relief from non-domestic rates for three years. After three years, businesses would start paying non-domestic rates based on the rateable value of the property.

While other reliefs already exist on long-term empty properties, including the Fresh Start Scheme or the Business Growth Accelerator Relief (see section Non-domestic rates on empty properties for more details), a key feature of the intervention considered is the relative generosity of the relief and the fact that it would be designed to target derelict sites. Fresh Start applies to empty properties that are not derelict. The Business Growth Accelerator Relief applies for a short period (12 months), while the tax changes analysed in this work apply for a longer period of time (3 years). It is worth noting that it will be possible to only claim one relief at a time, in the case that a property is eligible for more than one relief.

Policy 2. Council tax reduction

This policy would introduce a 100% council tax reduction for five years on redeveloped and converted derelict sites. After five years, owners (or tenants in case the property is rented) would start paying the council tax based on the rateable value of the property.

Policy 3. Non-domestic rates on newly derelict properties (excluded from the model)

As explained in the previous chapter, this policy would give councils the power to introduce non-domestic rates on derelict properties for a limited period of time (e.g. two years) since they became derelict. Under this policy, owners of non-residential properties that become derelict would be subject to non-domestic rates based on the rateable value of the property before it became derelict.

This policy is not included in the economic modelling below, largely because of a lack of evidence regarding likely uptake and impacts. It is nonetheless proposed to provide local authorities with the power to target newly derelict sites on a case-by-case basis rather than enforce the payment of non-domestic rates to all newly derelict sites. This would require local authorities to decide which criteria to apply to identify derelict sites to target and avoid the burden of imposing an extra tax on “hard” cases (e.g. cases in which owners could not avoid property dereliction).

The model for Policies 1 and 2

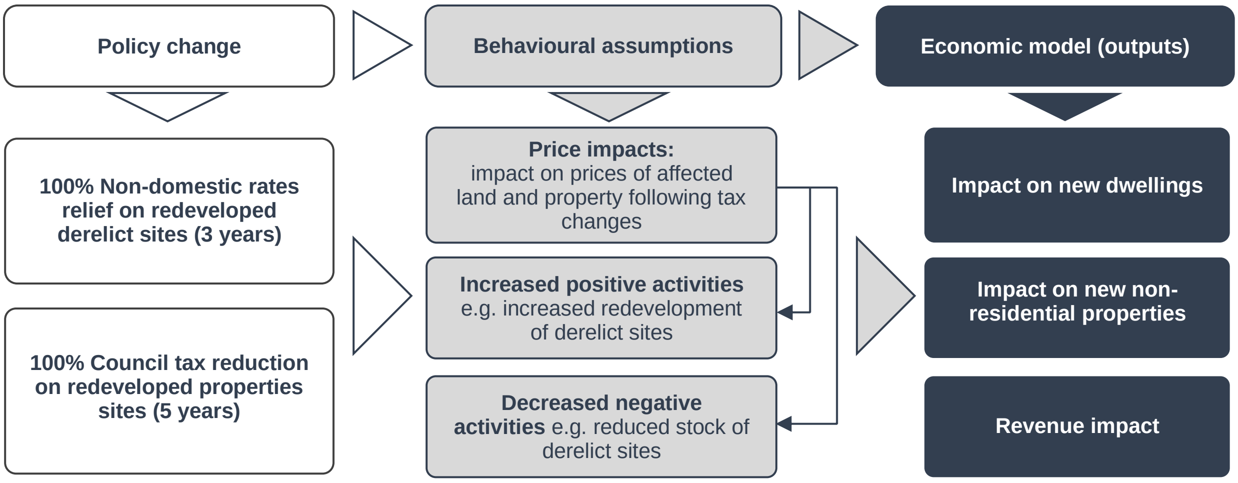
The impacts of Policies 1 and 2 are estimated following the steps described below (Figure 4):

1. First, the policy change is defined, and the policy parameters are adjusted accordingly. For Policies 1 and 2, a 100% council tax reduction and a 100% non-domestic rate relief on the targeted properties (redeveloped derelict sites) are introduced for five and three years, respectively.
2. The second step is to define the set of assumptions that will be included in the model. The introduction of relief for non-domestic rates and council tax would increase the value of the property to which the relief/reduction applies. To estimate the impact on the property price, the model includes behavioural assumptions based on the empirical literature (see the list of behavioural assumptions for Policies 1 and 2 in Appendix). The impact of the relief on the price of the property depends on how much of the relief is capitalised into the price of the property (see Figure 3 in the previous chapter). The increase in property value would create incentives for redevelopment. The extent to

which the incentive encourages redevelopment depends on how responsive development is to increases in property prices.

3. The final step of the model is to calculate the impact of policy changes on the outcomes of interest, based on the results in step 2. In particular, the model estimates the impact of Policies 1 and 2 on the number and the value of new dwellings, the number and the value of new non-residential properties, as well the impact on tax revenues.

4. Graphic representation of the economic model applied to Policies 1 and 2



Policy modelled to encourage a more diverse pattern of land ownership

Policy 4. LBTT surcharge on new purchases for large holders of land

This policy intervention would target landowners with large holdings of land, defined as those who own above 2,000 hectares (approximately 5,000 acres).[21] Under this policy, a 4% LBTT surcharge on acquisitions would be applied when the buyer has an existing holding above this threshold (or on the fraction of the transaction that takes them above this threshold). The surcharge of 4% has been chosen with the aim of selecting a rate that is not low enough to be trivial (which would be true for, e.g. 1% or 2%) but also not so high as to go beyond the highest rates of property transaction taxes seen previously in the UK. By choosing 4% specifically, this aligns with the LBTT Additional Dwelling Supplement, a policy that is associated with strong signalling benefits for the aim of discouraging second home ownership. It is suggested that the policy would apply to all types of land.

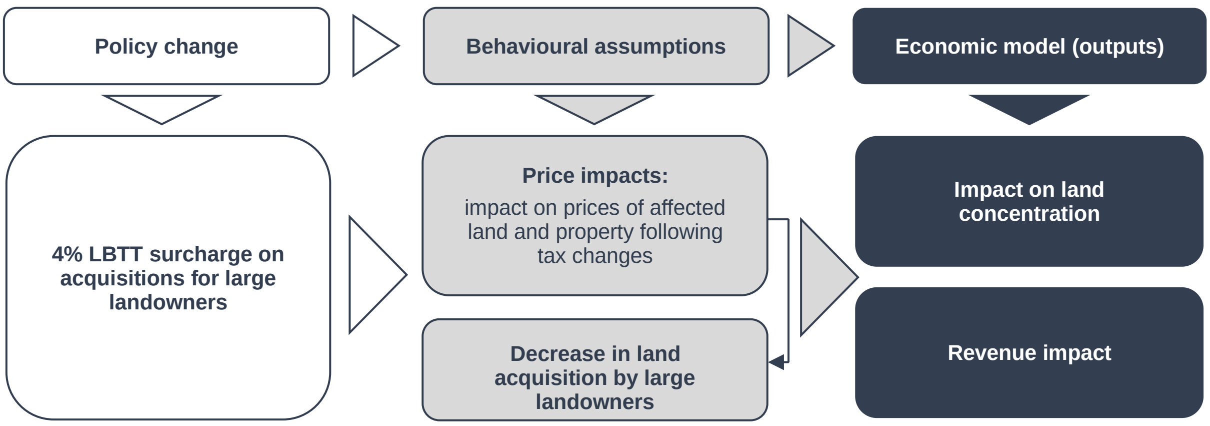
[21] In a recent report, the SLC recommend the Scottish Government to introduce a requirement for large landholdings above a certain threshold to engage on a management plan incorporating community engagement. The SLC recommend that the threshold will be set in the region of 1,000-3,000 hectares such that it will exclude most farm family holdings. The report "Review of Scale and Concentration of Land Ownership", 2019 is available at: https://www.landcommission.gov.scot/our-work/ownership/scale-and-concentration-of-land-ownership

The model for Policy 4

Similar to the model developed for Policies 1 and 2, the impact of Policy 4 is estimated following the steps described below (Figure 6):

1. First, the policy change is defined, and the policy parameters are adjusted accordingly. Based on the policy change, it is introduced in the model a 4% LBTT surcharge that applies to large landowners who own above 2,000 hectares. The LBTT surcharge aims at disincentivising targeted owners from buying additional land.
2. The extent to which the policy change impacts the level of transactions depends on the behavioural assumptions set in step 2 (see the list of behavioural assumptions for Policy 4 in Appendix). Based on empirical estimates from the existing literature, in this step, the model estimates the impact of changes in LBTT on the number of transactions of properties affected by the surcharge.
3. Finally, the last step consists of calculating the impact of the policy change on land concentration (i.e. how much land is impacted by the policy) as well as the impact of the policy on revenue.

Figure 4. Graphic representation of the economic model applied to Policy 4



Chapter 5

Results

- The policy package considered includes a relief on non-domestic rates and council tax reduction for redevelopment from derelict sites and an LBTT surcharge on new purchases of land for large landowners.
- In the main scenario analysed, the implementation of the policy package recommended could lead to:
  - An increase in homebuilding from derelict sites of approximately 40% per year.
  - An increase of non-domestic properties on derelict sites for a total value of approximately £55 million per year.
  - A decrease in land concentration of approximately 2.5% over 20 years, with a total revenue of about £5 million per year.

Results

Model outcomes and scenarios

This section presents the estimated impacts of the policies presented in the previous chapter. The model focuses on the following measures of tax incentive performance based on the key objectives of the tax reform considered in this work (i.e. reducing the stock of derelict sites and encouraging a more diverse pattern of land ownership):

- *The number of redeveloped dwellings* indicates how many dwellings from derelict sites are built following the introduction of council tax reduction.
- *The number of redeveloped non-domestic properties* provides an estimate of how many non-domestic properties from derelict sites are built as a result of introducing non-domestic relief.
- *The reduction in total landholdings*. This measure provides an estimate of the decrease in land concentration due to the introduction of the LBTT surcharge for landowners who own more than 2,000 hectares.
- *The revenue implications of the policies considered.* These include estimating the costs of the policies considered and the future yield generated by the policy intervention.

For Policies 1 and 2, the impact is calculated under three different scenarios:

- **Central scenario (main scenario):** under this scenario, the model assumes that the percentage of tax relief capitalised into prices is equal to 75% and the substitution effect is equal to 50%.
- **Scenario A (most conservative scenario):** under this scenario, the model assumes that the percentage of tax relief capitalised into prices is equal to 50% and the substitution effect is equal to 50%.
- **Scenario B (least conservative scenario):** under this scenario, the model assumes that the percentage of tax relief capitalised in prices is equal to 100% and the substitution effect is equal to 75%.

Policy 1 – Non-domestic rate relief

Table 8 shows the impact of introducing non-domestic rate reliefs on non-domestic derelict properties. The number of non-domestic properties redeveloped following the implementation of the relief is estimated using the stock of private new homebuilding in 2019 multiplied by the housing supply elasticity.[22]

Under the central scenario, the model estimates an increase of non-domestic properties on derelict sites of approximately 75 per year (for a total value of approximately £55 million per

[22] We use the stock of private new homebuilding because data on new non-domestic building is not available.

year), of which 50% represents new dwellings that would not otherwise have been built, while 50% represents substitution away from dwellings that would have been built elsewhere. The total cost of the policy intervention over five years would be approximately £9 million for a total of approximately 375 sites brought back into use in five years.

Table 8. Estimated impact of non-domestic relief on redeveloped derelict sites

Parameters	Central scenario	Scenario A	Scenario B
Percentage of tax relief capitalised in prices	75%	50%	100%
Substitution effect	50%	50%	75%
Non-domestic rate relief	100%	100%	100%
Duration of the relief (per property)	3 years	3 years	3 years
Outputs			
Non-domestic properties redeveloped (per year)	75	50	100
Value of non-domestic properties redeveloped (per year)	£55 million	£40 million	£75 million
Total cost over 5 years	£9 million	£6 million	£22.5 million

Source: Estimates produced by Alma Economics. Estimates have been rounded.

Policy 2 – Council tax reduction

Table 9 shows the impact of council tax relief on the development of new dwellings from derelict sites. The number of dwellings redeveloped following the implementation of the relief is calculated based on the stock of new houses built in 2019, multiplied by the housing supply elasticity in response to price change.

In the central scenario, it is estimated that the new policy would increase new dwellings built on derelict sites by approximately 150 new dwellings per year, corresponding to an increase in homebuilding from derelict sites of around 40%, half of which representing dwellings that would not have been built elsewhere in the absence of the policy change.

The intervention's total cost is estimated to be around £1.5 million over five years and could generate approximately 730 new dwellings from derelict sites across five years.

Table 9. Estimated impact of council tax reduction on redeveloped derelict sites

Parameters	Central scenario	Scenario A	Scenario B
Percentage of tax relief capitalised in prices	75%	50%	100%
Substitution effect	50%	50%	75%
Council tax reduction	100%	100%	100%
Duration of the relief	5 years	5 years	5 years
Outputs			
Dwellings redeveloped (per year)	145	100	200
Total cost over 5 years	£1.5 million	£1 million	£2.5 million

Source: Estimates produced by Alma Economics. Estimates have been rounded.

The total cost of Policies 1 and 2 and potential second-round effects

Finally, the model produced estimates of the total cost of introducing both non-domestic rate relief and council tax reduction simultaneously under the three different scenarios (Table 10).

The total cost of the policy package calculated for the first five years includes:

- The foregone council tax and non-domestic rates paid by new properties that would have been built in the absence of the policy change (the number of these properties depend on the substitution effect assumed in the model).
- The extra non-domestic rate revenue generated by new non-domestic properties that would not have been built in the absence of the policy from year 4 (once the relief expires).

In the central scenario, the total cost of introducing Policies 1 and 2 across five years is estimated to be approximately £10.5 million.

Table 10. Cost of the total package of implementing Policies 1 and 2

Parameters	Central scenario	Scenario A	Scenario B
Percentage of tax relief capitalised in prices	75%	50%	100%
Substitution effect	50%	50%	75%
Outputs			
Total cost over 5 years	£10.5 million	£7 million	£25 million

Source: Estimates produced by Alma Economics. Estimates have been rounded.

Whilst not always considered for assessing the financial impacts of tax reforms, it should be noted that the package of Policies 1 and 2 would also be expected to have second-round effects on tax receipts. Increased levels of construction would add around £10-15m to GDP, creating around 150-250 new jobs. It is estimated that this additional GDP could generate around £2-3m of additional tax receipts per year, offsetting all or most of the estimated cost of the overall package under the central scenario and scenario A.

Table 11 shows the potential net yield reached by Policies 1 and 2 five years after the end of the five-year period they run for. The net yield is calculated by estimating the amount of council tax and non-domestic rates paid by properties being built following the introduction of the incentives, which would not otherwise have been built.

In the central scenario, the total revenue from non-domestic rate and council tax paid on the redeveloped derelict dwelling spread across five years (from 2026/27 to 2030/31) is estimated to be approximately £18.5 million.

Table 11.Net yield per year generated by Policies 1 and 2

Year	2026/27	2027/28	2028/29	2029/30	2030/31
Yield (£m)	0.5	3	5	5	5

Source: Estimates produced by Alma Economics. Estimates have been rounded.

Policy 4 – LBTT surcharge on acquisitions for large landowners

Table 12 shows the estimated impact of the LBTT surcharge for large landowners on land concentration. In the model, large landowners are defined as those with total holdings above 2,000 hectares (about 5,000 acres), excluding charities and non-profit organisations, which would not be subject to the surcharge.

Based on the annual land purchased by large landowners (about 0.5%) and the behavioural response of LBTT tax changes, it is estimated that the percentage reduction of land acquired over 20 years by large landowners could be up to approximately 2.5% (corresponding to an annual reduction of approximately 0.12% per year).

In the model, 20 years is picked as an illustrative time horizon that is relatively long because the effects of this measure, whilst non-trivial, build slowly over time. It is worth noting that while the modelled results suggest the intervention might lead to reduced concentration of land ownership, tackling avoidance and tax planning are likely to be key to the effectiveness of the measure and to revenue impacts. In particular, the ways in which large landowners will be legally defined and the threshold is calculated will both be important.

Table 12.Estimated impact of LBTT surcharge on large landowners

Parameters	
LBTT surcharge	4%
LBTT elasticity	6
Initial endowment of large landowners	£32 billion
% of land acquired every year by large landowners	0.5%
Threshold	2,000 hectares (approximately 5,000 acres)
Outputs	
Percentage reduction in land acquisition (over 20 years)	2.5%
Yield per year	£5 million

Source: Estimates produced by Alma Economics. Estimates have been rounded.

Policy package recommended

The policy package recommended in this work includes the three policies (Policies 1, 2, and 4) presented above. Table 13 shows the revenue implications of the policy package in the first years. As shown in the table, the annual revenue generated by the LBTT surcharge on large landowners could cover the annual cost of Policies 1 and 2 in the central scenario and in the most conservative scenario (scenario A). In the least conservative scenario (scenario B), the policy package is broadly revenue neutral, as the total cost of Policies 1 and 2 is estimated to be approximately equal to the overall revenue generated by Policy 4 across five years.

Table 13.Total cost and revenue of the recommended policy package (£ million)

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Revenue impacts (Policies 1 and 2)						
Central scenario	-1	-2	-3.5	-2.5	-1.5	-10.5
Scenario A	-1	-1.5	-2	-1.5	-1	-7
Scenario B	-2	-4.5	-6.5	-6	-6	-25
Revenue impacts (Policy 4)						
Option B1	+5	+5	+5	+5	+5	+25

Source: Estimates produced by Alma Economics. Estimates have been rounded.

Chapter 6

Recommendations and conclusions

- This work identifies reforms for existing taxes that could be implemented in the near-term to address some of the immediate consequences of the COVID-19 pandemic, to support economic recovery, and to provide a signal of Government policy direction.
- There is scope to implement broader and more ambitious land and tax reforms to achieve long-term policy outcomes, such as tackling inequality and diversifying land ownership.
- The introduction of ambitious tax reforms such as a comprehensive system of land value taxation would provide an opportunity to go much further than the options presented in this study, including:
    - Maximising incentives for productive use of land.
    - Creating new opportunities for revenue-raising to fund other beneficial activities and for wealth redistribution.

Recommendation and conclusions

Recommended policy package

This report analyses how tax changes could be used to achieve two main objectives:

1. **Reducing the current stock of derelict properties and future flows into dereliction**. This work focuses on policies that could provide incentives to bring derelict sites back into productive use. Since the start of the COVID-19 pandemic, this policy aim has risen in importance given the threat of a new legacy of derelict property caused by the current downturn.

2. **Encouraging a more diverse pattern of land ownership**. The report analyses fiscal policies that would support a more diverse pattern of ownership in Scotland. This seeks to encourage a more productive use of land and to ensure that the benefits are spread more equally across communities.

The changes in tax policies considered in this work focus on existing taxes of competence of the Scottish Parliament, i.e. council tax, LBTT, and non-domestic rates.

The recommended policy package includes:

- Non-domestic rate reliefs on redeveloped/converted derelict sites.

- Council tax reductions on redeveloped/converted derelict sites.

- LBTT surcharge on acquisition for large landowners.

The main objective of this work is to focus on changes to existing taxes that could be implemented in the short-term to address some of the immediate consequences of the COVID-19 pandemic and support economic recovery.

The estimates suggest that the policy package could have a significant impact on the redevelopment of derelict properties, the main objective of this work, as well as representing a first step towards encouraging a more diverse pattern of land ownership in Scotland (Table 14).

An additional policy considered in this work is to provide the power for local authorities to introduce non-domestic rates on newly derelict properties. Given the nature of the recommendation, this policy is not included in the modelling process, as local authorities would choose to exercise such power on a discretionary basis rather than applying it on a Scotland-level basis. Therefore, the policy is meant to constitute the threat of a charge where flows into dereliction are via wilful neglect rather than despite the best efforts of the property owner.

Table 14. Summary of the impact of the recommended policy package

Policy	Estimated impact
Non-domestic rate relief on redeveloped derelict sites	• Increase in the number of non-domestic properties by approximately 75-100 per year. • The total value of redeveloped dwellings is estimated to be between £40-75 million per year.
Council tax reduction in redeveloped derelict sites	• Increase in residential new dwellings built on derelict sites by approximately 100-200 per year. • The estimate above corresponds to an increase in homebuilding from derelict sites by around 25-50%.
LBTT surcharge for large landowners	• Over twenty years, the extra surcharge reduces the land acquired by large landowners by approximately 2.5%.

Source: Estimates produced by Alma Economics.

Areas for future research

As mentioned in the previous section, the scope of this work is limited to focusing on tax instruments within the Scottish Parliament's competency, with priority given to measures tackling derelict sites. Therefore, the policy package focuses on existing taxes to achieve near-term policy changes.

The recommended policy package represents a first step toward creating tax reforms that could create incentives toward meeting SLC policy aims relating to: (i) increasing productive use of land, (ii) promoting a more diverse pattern of land ownership, and (iii) using tax reforms to shape behaviours and influence decision-making to ensure that the benefits for the community are maximised.

Going further, there is considerable scope for implementing broader and more ambitious reforms to achieve long-term policy outcomes. With the majority of land classified as agricultural or forestry, large estate owners can benefit from fiscal measures such as relief from non-domestic rates, inheritance tax and capital gains tax, which do not provide incentives for land ownership diversification.

Making steps towards land value taxation, either on a comprehensive basis or on larger private estates in specific contexts, would be expected to maximise incentives for productive use of land. It would also be envisioned to create new opportunities for revenue-raising to fund other beneficial activities and for wealth redistribution.

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Appendix

Data sources

A number of data sources have been collected to provide inputs and context for policy modelling and to provide a robust set of assumptions. The full list of data is described below:

- **Data on LBTT, non-domestic rates, and council tax**

  Information on current legislation (including rates/thresholds), reliefs/exemptions for LBTT, non-domestic rates, and council tax is used to design the tax incentive schemes.

- **Residential property transactions**

  Data on residential property transactions are made available by the Registers of Scotland (RoS). Data include market value residential sales between £20,000 and £1,000,000. Data are available at the council level and include: quarterly and annual figures on volume and value of residential sales, and volume and the average price of newbuild residential property sold.

- **Non-domestic property transactions**

  Data on non-domestic property transactions are made available by the Registers of Scotland. Data include sales of non-residential properties between 2003 and 2019. Data are available at the council level and include quarterly and annual figures on the volume and the value of commercial sales. The datasets also contain information on the volume and the value of forestry, agricultural, and land sales from 2015/2016.

- **Business sites**

  The Businesses in Scotland publication produces estimates of the number of VAT/PAYE registered enterprises (stocks) and sites operating in Scotland. Data are available from 2015-2018. This information is used to identify the stock of non-domestic sites. Data on business sites are used to calculate the stock of new build business sites. This is calculated by averaging the difference between the stock of business sites in two consecutive years.

- **Residential newbuilds**

  Housing statistics on the building of new dwellings are published annually by the Scottish Government. The data are available from 1996 and include information on the total number of the public and private building of new dwellings, conversions of existing buildings, and the total stock of dwellings in each council. Housing statistics data are used to calculate the proportion of new house builds annually.

- **Vacant and derelict sites**

  Information on urban vacant and derelict sites in each council are collected in the Scottish Vacant and Derelict Land Survey (SVDLS). The SVDLS, which has been operating since 1988, is a data collection undertaken to monitor the extent of vacant and derelict land in Scotland, its state, and the extent of the progress to bring vacant and derelict land back into use.[23] The SVDLS defines vacant and derelict land as follows:

[23] To qualify for inclusion in the SVDLS, all sites must be at least 0.1 hectares in size and sites that are smaller are not recorded as part of the SVDLS. Generally, vacant land has been surveyed only in settlements of over 2,000 in population as defined in councils' local plans.

- Vacant land is “*land unused for the purposes for which it is held and which is viewed as an appropriate site for development. This land must either have had prior development on it or preparatory work must have taken place in anticipation of future development*”.
- Derelict land (and buildings) is “*land which has been so damaged by development, that it is incapable of development for beneficial use without rehabilitation. In addition, the land must currently not be used for the purpose for which it is held or a use acceptable in the local plan. Land also qualifies as derelict if it has an un-remedied previous use which could constrain future development*”.

Data are collected and submitted each year for local authorities, Loch Lomond and the Trossachs National Park Authority. The dataset contains the list of vacant and derelict sites and their main characteristics, such as size, year in which the site became vacant or derelict, the development potential (i.e. developable, uneconomic to develop, etc.), the location (rural or urban), and the previous use of the site.

Despite its limitations (see the box below for more details), the SVDLS is used in the analysis to identify derelict sites, as it is the best source of information on derelict land and properties currently available. However, it is not deemed sufficiently robust for use as a legal definition of vacant and derelict sites.

- **Vacant and derelict sites brought back to use**

  Information on derelict and urban vacant land brought back into use in 2019 is retrieved from the SVDLS. The SVDLS also collects information annually on the number of sites and hectares of vacant and derelict land brought back into productive use by use (e.g. residential, agricultural, offices, etc.).

- **Revenue and value of reliefs/reductions from council tax, non-domestic rates, and LBTT**

  Revenue and amount of council tax reductions are provided by the statistics on Council Tax collection based on returns provided by local authorities for the financial year 2019-20. The total revenue from non-domestic rates and the amount of reliefs for the year ending in March 2019 is available from The Scottish Government Non-Domestic Rating Account. Finally, statistics on LBTT revenue and reliefs covering the year ending on 19 March are available from the annual statistics published by Revenue Scotland.

Table A1. List of data sources

Dataset	Source	Description
Council tax chargeable by local authority	Local Authorities	Details the amount of council tax payable by households in each council tax band by local authority (before exemptions and reliefs) for 2020/21
Non-domestic rates formula	mygov.scot	Details the formula for calculating non-domestic rates using a non-domestic property's rateable value, as well as formulae for assessing the applicability of reliefs
LBTT rates on residential transactions	mygov.scot	Details on the LBTT rates and bands for residential transactions
LBTT rates on non-residential transactions	mygov.scot	Details on non-residential LBTT rates and bands
Non-domestic properties transactions	RoS	Data include value and amount of sales of commercial forestry, agricultural, and land sales
Residential properties transactions	RoS	The dataset includes volume and values of residential sales for properties between £20,000 and £1,000,000 (council level)
New build residential properties sales	RoS	The dataset includes the volume and average price of new build residential properties (council level)
Business sites	gov.scot	The dataset includes the number of VAT/PAYE registered enterprises (stocks) and sites operating in Scotland. Data are available from 2015-2018 at council level
Stock of new build residential properties	gov.scot	The dataset includes public and private new house building, conversions of existing buildings to housing use and refurbishment of dwelling from 1996 (council level)
Vacant and derelict sites	SVDLS	The dataset contains the stock of vacant and derelict sites, by size, year in which the site became vacant or derelict, development potential, owner, location, and previous use of the site
Vacant and derelict sites brought back to use	SVDLS	The SVDLS contains information on the number of sites and hectares of vacant and derelict land brought back into use
Revenue and value of reliefs / reductions from council tax, non-domestic rates, and LBTT	gov.scot	Data include information on the amount of revenue and reliefs/reductions of council tax, non-domestic rates, and LBTT

The Scottish Vacant and Derelict Land Survey

The Scottish Vacant and Derelict Land Survey (SVDLS) was first piloted in 1988 and introduced officially in 1993. It contains data on the extent and state of vacant and urban land in Scotland as well as the land that has been reclaimed. The purpose of the survey is to provide an evidence base for monitoring the amount of vacant and derelict land and the progress in bringing land back into productive use.

Data on vacant and derelict land is collected and updated by councils annually and builds on data collected in the previous year. Data collected by local authorities are consolidated by the Scottish Government Centre for Housing Market Analysis which produces records of vacant and derelict land.

The SVDLS could represent an important tool to monitor the amount of unproductive land in Scotland and allocate resources. However, at present, it has several limitations:

- Not every council collects and updates data on vacant and derelict land every year.
- Councils sometimes apply different definitions to categorise sites, thus generating discrepancies in the data.
- Sites that have never been developed are not included in the survey, as they do not match the definition of vacant and derelict land.
- The survey includes derelict and urban vacant sites over 1000sq.m., while sites below this size are excluded.
- Information on whether vacant and derelict land has the potential to be developed and barriers to reuse is limited.

With very few exceptions, such as the Vacant and Derelict Land Fund, due to its limitations, the SDVLS is rarely used to develop targeted policy and interventions. However, a more systematic and comprehensive data collection consistent across councils would support policymakers in understanding the true amount of vacant and derelict land, allocating resources more efficiently, and planning interventions.

It would be beneficial for policymaking for the survey to be further developed to include more detailed information to cover all types of vacant and derelict sites, irrespective of their size and previous development, information on the status of the land (e.g. constraints to development, reasons for the site to be vacant or derelict etc.) and further details regarding the characteristics of the dwellings developed when sites are brought back into productive use.

Behavioural assumptions

Policies 1 and 2

In modelling Policies 1 and 2, it is assumed that property owners and developers are sensitive to tax reliefs and surcharges (i.e. council tax and non-domestic rate discounts), so that the policies considered would create incentives to redevelop or convert derelict sites. In order to account for the impact of the tax changes on behaviour, the model includes the following set of assumptions:

- Where the fiscal incentive is offered for multiple years, such as in Policies 1 and 2, the Net Present Value[24] (NPV) of the overall subsidy is taken as the driver of the behavioural response.
- The model assumes that 75% of the tax relief is capitalised in property price. This corresponds to the proportion of the NPV of tax relief that will be reflected as an increase in price for affected properties (which are too few to affect overall average prices). For example, if 100% of the present value of tax relief is capitalised into property prices, and the present value of the tax relief is £X, the property's price would increase by £X. Following the same logic, if 50% of the present value of tax relief is capitalised into property prices, then a tax decrease of £X would increase prices by half of £X. The model cautiously assumed that 75% of the tax relief is capitalised in property price. This represents the average between the implied OBR (2017) estimates (50%) and the estimates of a study conducted by Cambridge Economics (Gardiner et al., 2008) which analyses the impact of non-domestic rates relief on rental prices in Enterprise Zones (EZs) in the UK. The study shows that following the introduction of non-domestic rates reliefs in EZs, the capitalisation effect for properties affected by the tax change was not significantly different from 100%. As part of the sensitivity analysis, outcomes are estimated assuming that 50% or 100% of the tax relief is capitalised in property prices.
- Following Ball et al. (2010), it is assumed that the response of property supply to prices (elasticity) is 0.41. This means that for a 1% increase in property prices (corresponding to a 1% increase in fiscal incentives assuming that 100% of tax relief is capitalised in property prices), the supply of properties increases by 0.41%. The supply elasticity above is applied to both residential and non-residential property markets.
- Policies 1 and 2 would have both a direct and indirect impact on property development:
    - The direct effect consists of providing an incentive to redevelop derelict existing properties that would not have been redeveloped otherwise.
    - The indirect effect consists of relocating (displacing) development to sites targeted by the policy that would have otherwise been built elsewhere.

  It is assumed that the magnitude of the displacement effect, following the literature on Enterprise Zones, is between 30% and 80% (Papke, 1993; Potter and Barry, 2000). Averaging the results found in the literature, the model assumes that the increase in

[24] The "present value" of money reflects the point that receiving £1 today is more valuable than receiving £1 in the future due to a combination of: foregone return on the money (because the £1 could be invested for a return); risk; and "time preference" (where in some cases an individual simply has a preference for today over the future). To incorporate this framework, tax relief is discounted at 3.5% per year to create a "present value". The sum of the present value of all future tax reliefs is the "net present value".

newbuild that represents dwellings that otherwise would be built elsewhere in the absence of the policy change is 50%. As part of the sensitivity analysis, outcomes are estimated assuming a substitution effect equal to 75%.

Policy 4

In the model, it is assumed that introducing an extra LBTT surcharge for large landowners would reduce the volume of acquisitions they make. Based on the estimates produced by the OBR on the response of transactions to changes in SDLT, the model assumes a transaction semi-elasticity equal to 6. This implies that for a 1 percentage point increase in the LBTT, the proportion of land acquired by large landowners decreases by 6%.

In the model, it is also assumed that the annual baseline proportion of land acquired in the absence of the intervention (i.e. the baseline level of transactions) is 0.5% of existing estates, with disposals of 0.5% so that in the absence of new policy, estate charges would remain unchanged but with some churn. This assumption is motivated by the existing evidence on landowners and property fragmentation, which shows that, over the last 40 years, the distribution of land remained almost unchanged and this pattern is unlikely to change in the near future (Thomson et al., 2016; McKee et al., 2013; Wightman, 2013).

Table A2. Assumptions for key model parameters

Parameter	Value	Source
Policies 1 and 2		
Non-residential rental yield	7%	Based on Ryden range of 5-9%
Firm's real discount rate	3.5%	HM Treasury Green Book
Housing supply response to price increases (elasticity)	0.41	Ball et al. (2010)
Percentage of tax relief capitalised in prices	50-100%	Gardiner et al. (2008)
Substitution effect (investment shifted from non-derelict to derelict sites due to the policy change)	50-75%	Papke (1993), Potter and Barry (2000)
Average non-residential property price	£727,876	House price statistics (RoS)
Average residential property price	£182,357	House price statistics (RoS)
Average annual council tax	£1,201	Scottish Government
Policy 4		
SDLT elasticity	6	OBR (2017)
% of land acquired by large landowners every year	0.5%	Alma Economics based on previous study by Thomson et al. (2016), McKee et al. (2013), and Wightman (2013).
Threshold set to define large landowners	>2,000 hectares (5,000 acres)	Alma Economics

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