

Summary note - Tax, land reform and climate change roundtables – March 2025

Attendees: Central Association of Agricultural Valuers, Chartered Institute of Taxation, Community Land Scotland, Highland Council, Institute of Chartered Accountants Scotland, John Muir Trust, Moray Council, National Farmers Union Scotland, NatureScot, Royal Institution of Chartered Surveyors, Scotland's Rural College, Scottish Environment Link, Scottish Forestry, Scottish Land & Estates, Scottish Land Commission, Scottish Government, Scottish Property Federation

The Scottish Land Commission (SLC) held a roundtable event in Inverness (3 March) and Edinburgh (10 March). The roundtables were chaired and organised by the SLC with input from Scottish Government officials who attended the event. A range of sectors and different views were represented including from farming and land management, local authority, environmental, tax, legal and accounting as well as property and land reform sectors.

The purpose was to hold early discussions that will shape the work being taken forward by the Scottish Land Commission and Scottish Government on potential for tax reforms that support land reform and reducing greenhouse gas emissions from land. Scotland's Tax Strategy commits Scottish Government to exploring the reforms needed to continue to deliver sustainable and growing tax revenues in the future. There was a discussion about the potential and scope for tax and reforms to tax can play in delivering land reform and climate outcomes. This was followed by discussion about the opportunities to use existing or new taxes before considering potential unintended consequences and the role of other levers in relation to tax. Key questions discussed were:

1. How do we best develop a route map that will provide more clarity and certainty in direction for tax reforms in relation to land?
2. What are the opportunities to use existing or new taxes to reduce carbon emissions from land and deliver land reform outcomes?
3. What are the barriers, risks and potential unintended consequences which we need to consider?
4. What other key regulatory or fiscal levers are needed to ensure decisions are taken from the fullest possible position?

Several themes emerged:

More clarity of aims and objectives for tax needed

The groups felt that while on the whole tax could play a role in delivering land reform and emissions reduction outcomes, there is a need for clear aims and objectives for tax alongside other support mechanisms such as subsidies, grants and private finance. Overall clarity is needed on how to target potential taxes to deliver the outcomes needed. This should also take account of why current mechanisms are not providing

sufficient progress achieve policy objectives, and whether and how tax reforms would change this.

There was a strong emphasis on the need for policy alignment and cohesion. To some, the current complexity and uncertainty around policy and funding is risking paralysis and inertia to deliver emissions reduction at the pace and scale needed. The relationship and alignment with existing taxes, reserved and devolved, was also seen as an important consideration. Some ideas regarding opportunities to use existing tax powers, both UK and Scottish, emerged and further clarity on aims and objectives would enable these opportunities to be explored.

The group discussed potential land in scope and agreed that a more defined articulation and understanding of land and tenure in scope and the implications was necessary. It should also consider whether it the tax burden should fall on owners or occupiers of land and the scenarios of tenanted and crofting tenure.

The relationship between objectives for a possible carbon land tax and tax reforms and land reform objectives as well as biodiversity was also discussed. Groups noted some synergies but also some potential tensions between objectives, suggesting that for taxes to work effectively, there needs to be a tight focus in their intended effect.

Creating capacity in the system

Another big theme emerging from the roundtables was the issue of creating capacity in the system for tax reforms to be effective and efficient. The feedback received stressed the importance of integrated data in a functioning land-based taxes system. This was seen as important to inform the design of specific taxes and assessing the impact of tax policies in contributing towards outcomes such as net zero. There was consensus that information relating to land values, ownership and tracking emissions from land would be important factors for tax in this context.

While some highlighted current examples of systems, methods or approaches underway, both groups felt that the 'data issue' would be a pragmatic step for tax reform in this space with suggestions to move to a cadastral system and completion of the valuation roll. There was some discussion around the role of the Registers of Scotland and role of rural surveyors in delivering this, recognising challenges such as data sharing, tracking changes in landholding boundaries/ownership and the skills and capacity of assessors in the system should more demands be placed on them.

Practical delivery capacity, especially for peatland restoration, was also raised. For a carbon emissions land tax to be fair, there must be every opportunity for a landowner to undertake the desired work on the ground that would influence the tax liability. It was recognised that there are practical constraints on contractor availability and seasonal working that may remain, even with certainty about the pipeline of projects.

Importance of understanding the impacts

Various risks and potential unintended consequences were discussed. Using a carbon land tax on peatland as an example, the group felt it was important to understand the potential impacts on different tenures and owners and to be explicit about the trade-offs which are being made.

The effects on the land market and other land uses and outcomes such as communities and biodiversity should also be considered. There were some queries about how taxes would consider multiple local authority and ownership boundaries. There was a debate around issues around fairness and responsibility relating to who is targeted by tax interventions.

Delivering a strategic approach

Scottish Government outlined the approach to the work. The group was reminded that this phase of this work is not intended to propose specific tax mechanisms but to consider how and where tax has an effective role to play. The SLC said it aimed to produce a route-map to help provide a clear direction for reforms to land and help inform the approach for identifying specific options. Overall, there was support for this, recognising that this will help provide clarity, certainty and direction. Communications and engaging all user groups was seen as essential for this process. There were suggestions to develop scenarios/models and do further research to build the evidence base.