

# SNP's own experts blast ministers over stamp duty replacement

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Experts appointed by the Scottish Government have blasted its stamp duty replacement scheme, describing the modelling as “ill-suited” and “poor”.

The review of Land and Buildings Transaction Tax says the SNP's methodology isn't good enough to make proper predictions for how much revenue will be raised.

Since its introduction, ministers have consistently got it wrong when estimating how much their increases to LBTT would generate.

Earlier this year, it was revealed the scheme – which replaced stamp duty after the power was devolved to Holyrood – would generate £800 million less than originally thought.

Now, the study entitled ‘A Review of Tax Revenue Forecasting Models for the Scottish Housing Market’, has been critical of the Scottish Government.

It describes the methodology used by ministers as “ill-suited for scenario analysis and fiscal impact costing”.

It also ranked the model used for LBTT as “poor” for both policy application purposes and for its ability to explain underlying trends in the housing market.

When the new legislation was being debated, the Scottish Conservatives warned that the SNP was being overly-optimistic in its revenue forecasts.

**Scottish Conservative shadow finance secretary Murdo Fraser said:**

“The SNP has woefully misjudged how much it is going to receive from the LBTT changes.

“To have got this wrong to the tune of more than £800 million is nothing short of incompetent.

“Now the experts appointed by the Scottish Government to evaluate this are exposing further embarrassment.

“It's no wonder the SNP got its sums so badly wrong when the proper modelling

wasn't even in place for making these forecasts.

"It's just another example of the Scottish Government completely messing up a crucial area of devolved policy."

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**To see the full report, visit:**

<http://www.gov.scot/Resource/0051/00516712.pdf>

On p19, the experts write:

*Application (policy): poor. All three methods of univariate forecasting are ill-suited for scenario analysis and fiscal impact costing, as they are not specified with explanatory variables to assess the impact of different economic assumptions and risk scenarios on the housing market.<sup>18</sup> ARIMA and GARCH models may have some limited use in risk assessments: ARIMA models can assess how exogenous shocks in one period are transmitted to future house prices and transactions in the future, and GARCH models may be able to improve upon estimates of annual revenue at risk.*

**The SNP is already badly out with its LBTT estimates:**

<http://www.scottishconservatives.com/2016/12/budget-reveals-homes-tax-will-raise-800m-less-than-planned/>