House of Commons

Scottish Affairs Committee

Land Reform in Scotland: Final Report

Eighth Report of Session 2014–15

HC 274

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Land Reform in Scotland: Final Report

Eighth Report of Session 2014–15

Report, together with formal minutes relating to the report

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/scotaffcom. A list of Reports of the Committee in the present parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Rebecca Davies (Clerk), Jyoti Chandola (Clerk), Phil Jones (Second Clerk), Alasdair Mackenzie (Committee Specialist), Helena Ali (Senior Committee Assistant) and Annabel Goddard (Committee Assistant).

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Contents

Report

Page

	Conclusions and recommendations	**3**
1	**Introduction**	**6**
2	**Developments since the *Land Reform in Scotland: Interim Report***	**7**
	The work of the Committee	7
	Information on land values	7
	Conditional Exemption Tax Incentive scheme	7
	Agricultural land	9
	Common Agricultural Policy	13
	Tax planning	13
	The work of the Scottish Government	15
3	**Conclusion**	**17**
	Formal Minutes	**18**
	Witnesses	**19**
	Published written evidence	**20**
	List of Reports from the Committee during the current Parliament	**21**

Conclusions and recommendations

Information on land values

1. *We are disappointed that Valuation Office Agency, having identified problems with the effectiveness and application of the data underpinning the land price indices, chose to cease publication rather than tackle these issues. We repeat out recommendation that publication of the indices resume in order to allow informed debate about public policy on land and land ownership.* (Paragraph 7)

Conditional Exemption Tax Incentive scheme

2. Those benefiting from the Conditional Exception scheme do so to enable the preservation of UK heritage assets. These assets are listed and owners must allow public access but information on how much revenue is forgone as a result of each of the tax exemptions is not made public. It is difficult to see how a meaningful consideration of the efficacy and value for money of these exemptions can take place without greater transparency. (Paragraph 13)

3. *We recommend that the incoming Government brings forward proposals to improve the provision of information on the Conditional Exemption scheme and its costs to the public and to consider its value for money as this is not proven at present.* (Paragraph 14)

4. *Where part of the undertaking given by land owners, such as public access, is already required by law a partial, rather than total, exemption may be more appropriate. We recommend that, if the value for money of the Conditional Exemption scheme as a whole is proven and the scheme is retained, the incoming Government brings forward proposals to introduce graduated exemptions that reflect the unique benefits that tax payers are gaining from the scheme.* (Paragraph 15)

Agricultural land

5. The tax system can be used as a policy lever. In the case of agricultural land, the available tax reliefs seem to be intended to encourage productive use of farmland and prevent the break-up of family farms. However, due to a lack of oversight by the Treasury and HMRC, it is not clear to what extent either Agricultural Property Relief or exemption from non-domestic rates are having the desired impact and whether there are any unintended consequences arising from the reliefs available to agricultural landowners. (Paragraph 20)

6. *We urge the incoming Government to set out the rationale for Agricultural Property Relief and undertake a review of whether the relief is achieving its purpose. At present the case for its retention is not proven.* (Paragraph 21)

Tax reliefs and the cost of land

7. We are disappointed that the attitude of HMRC to the question of whether or not tax reliefs push up the price of agricultural land can best be summarised as 'don't know, don't care'. It is important for both the UK and Scottish Governments to consider whether parts of the tax system are pushing up land prices and undermining a commitment to increasing community land ownership. (Paragraph 26)

8. *We recommend that the incoming Government undertake an analysis of the impact of tax reliefs on land value and that they include this information in their consideration of which tax reliefs should be retained and which should be abolished.* (Paragraph 27)

Administration of tax reliefs

9. We are disappointed that despite the work done by the National Audit Office and the Public Accounts Committee there still seems to be considerable reluctance on the part of Government to accept the need for proper oversight and scrutiny of tax reliefs and exemptions. These reliefs mean that tax income is forgone in order to support policy objectives and they should be open to the same scrutiny as other government spending. (Paragraph 33)

10. *The Government must ensure that both new and existing tax reliefs are properly monitored and assessed. The case for their retention is not proven at present. The incoming Government must ensure that those tax reliefs where value for money and effectiveness cannot be demonstrated are abolished.* (Paragraph 34)

Common Agricultural Policy

11. It is too early to assess the impact of the new schemes but we welcome efforts to encourage new entrants to farming through the Common Agricultural Policy. (Paragraph 36)

Tax planning

12. We welcome the introduction of a publicly available register of people with significant control of a company as the first step in unpicking complex ownership arrangements used by some individuals and companies to avoid their tax obligations. We are, however, disappointed that the Government has stopped short of ensuring public access to information on beneficial ownership of land held by trusts. (Paragraph 44)

13. *The incoming Government must ensure that information on beneficial ownership through trusts is made publicly available.* (Paragraph 45)

The work of the Scottish Government

14. Tax reliefs represent a cost to the public due to the tax income forgone. It should be a guiding principal that both new and existing tax reliefs should only be offered where there is a clear justification. The case for many tax reliefs is still to be proven. The incoming Government should ensure that those tax reliefs where a clear and proven benefit cannot be demonstrated are abolished. (Paragraph 51)

15. *We reiterate our call for the UK Government to improve the oversight of tax reliefs. The UK and Scottish Governments should to work together on areas of shared interest, such as land tax reliefs in order to ensure a tax system that supports the Scottish Government's stated aim of increased community ownership of land.* (Paragraph 52)

1 Introduction

1. The Committee published *Land Reform in Scotland: Interim Report* in March 2014.[1] This report identified key issues and questions arising from the written and oral evidence we had taken following the publication of the *432:50–Towards a comprehensive land reform agenda for Scotland* briefing paper published by the Committee in July 2013.[2]

2. Our interim report and the *432:50* paper both set out the case for a comprehensive land reform agenda. Oxfam Scotland told us that:

> the starting point for effective land reform needs to be a recognition that political and economic change in Scotland has delivered for the better off, but has simultaneously generated substantial poverty, an intensification of the way in which it is experienced and its concentration in particular localities.[3]

3. The interim report identified four topics on which we wished to hear further evidence. These were: whether the ownership of estates through charitable companies set up by private owners is in the public interest and how governance of such organisations should best be organised; how the fiscal framework of agricultural land might be reformed to meet the concerns of tenant farmers; how the new Common Agricultural Policy framework can best support farmers; and the extent to which land is owned in offshore jurisdictions as part of individual corporate tax planning.

4. Since the publication of the interim report we have taken evidence from HM Revenue and Customs, Tax Research UK, Global Witness, the Institute of Chartered Accountants Scotland and Rio Tinto Alcan to address these questions. This report sets out the developments since the publication of the interim report, notably the work of the Land Reform Review Group established by the Scottish Government in 2012, the publication of their final report *The Land of Scotland and the Common Good* and the Scottish Government's *Consultation on the Future of Land Reform in Scotland*. The Scottish Government have also published their *Review of Agricultural Holdings Legislation* in January 2015.

[1] Scottish Affairs Committee, Eighth Report of Session 2013-14, *Land Reform in Scotland: Interim Report*, HC 877

[2] Scottish Affairs Committee, 432:50 Towards a comprehensive land reform agenda for Scotland

[3] Oxfam Scotland (LRS0048) para 3

2 Developments since the *Land Reform in Scotland: Interim Report*

The work of the Committee

Information on land values

5. One issue raised during our initial evidence sessions was the paucity of reliable, publicly available data on the value of land. Professor Paul Cheshire of the London School of Economics told us that: "It is absolutely amazing that a modern, allegedly civilised, country does not have any public data on land prices or land ownership."[4]

6. We were concerned to hear that the Valuation Office Agency (an executive agency of HM Revenue and Customs) had stopped collecting and publishing land price indices in 2011 and our interim report recommended that this publication resume. When we asked HMRC why the 2011 decision to cease publication had been taken, they were unable to answer.[5] They subsequently told us that an internal review of the data used to produce the land price indices:

> drew out some limitations in the effectiveness and general application of the data, particularly around the small number of data points on which the indices were based. In addition there had been declining demand from the users of publication and as a consequence funding was withdrawn from a number of Departments. […] It is worth clarifying that that report was not designed or intended to provide representative land prices.[6]

7. ***We are disappointed that Valuation Office Agency, having identified problems with the effectiveness and application of the data underpinning the land price indices, chose to cease publication rather than tackle these issues. We repeat out recommendation that publication of the indices resume in order to allow informed debate about public policy on land and land ownership.***

Conditional Exemption Tax Incentive scheme

8. The Conditional Exemption Tax Incentive scheme allows some assets to be exempt from Inheritance Tax or Capital Gains Tax when they pass to a new owner.[7] There are four categories of asset to which exemption can apply:

- buildings, estates or parklands of outstanding historical or architectural interest,
- land of outstanding natural beauty and spectacular views,

[4] Q393 [Professor Cheshire]

[5] Q1125

[6] HMRC (LRS0073)

[7] HM Revenue and Customs, Tax relief for national heritage assets, accessed 24 March 2015

- land of outstanding scientific interest including special areas for the conservation of wildlife, plants and trees, or
- objects with national scientific, historic or artistic interest, either in their own right or due to a connection with historical buildings.

9. In order for land owners to be granted an exemption under the scheme they must undertake to preserve and manage land and allow public access. Mike Crabtree, Specialist, Personal Tax Directorate, HMRC, told us that:

> Conditional exemption is there, effectively, to preserve and protect the UK's heritage assets for the benefit of the public and to stop estates having to sell them to pay inheritance tax bills.[8]

10. There are currently 62 such schemes operating across Scotland covering land, buildings and building contents.[9] The UK-wide estimate of the amount of tax forgone as part of the Conditional Exemption scheme is £60 million for financial year 2014-15.[10] If a grant or public subsidy were given for similar heritage work, the amount of the subsidy, and any reporting on the satisfactory discharge of the undertaking, would normally be publicly available.

11. In our interim report we questioned why the amount of tax being forgone could not be made available in order to allow the value for money of the exemptions to be assessed.[11] HMRC told us that the amount of each individual exemption could not be made public because the amount "would be part of someone's inheritance tax bill, and for that reason it would be considered taxpayer confidential."[12] However, HMRC themselves told us that although there is a public register of the assets this does not necessarily mean that owners are identified.[13]

12. The justification for the tax forgone as a result of the Conditional Exemption scheme is that there is significant public interest in ensuring access to, and preservation of, the land to which exemptions are granted. In Scotland, however, right of access to most land is guaranteed by the Land Reform (Scotland) Act 2003. As such, an undertaking by landowners in Scotland to allow access has no value to the public as such access is within their existing rights. The key question for the Conditional Exemption scheme, as applied to land in Scotland, is whether the undertaking of a land owner to maintain their own land is sufficient justification for totally exempting that land from Inheritance or Capital Gains Tax.

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8 Q1135

9 HMRC, (LRS0061)

10 HMRC, Estimated cost of minor tax allowances and reliefs, accessed 24 March 2015

11 Scottish Affairs Committee, Eighth Report of Session 2013-14, Land Reform in Scotland: Interim Report, HC 877, para 62

12 Q1142

13 Q1143 [Mr Cooper]

13. **Those benefiting from the Conditional Exception scheme do so to enable the preservation of UK heritage assets. These assets are listed and owners must allow public access but information on how much revenue is forgone as a result of each of the tax exemptions is not made public. It is difficult to see how a meaningful consideration of the efficacy and value for money of these exemptions can take place without greater transparency.**

14. ***We recommend that the incoming Government brings forward proposals to improve the provision of information on the Conditional Exemption scheme and its costs to the public and to consider its value for money as this is not proven at present.***

15. ***Where part of the undertaking given by land owners, such as public access, is already required by law a partial, rather than total, exemption may be more appropriate. We recommend that, if the value for money of the Conditional Exemption scheme as a whole is proven and the scheme is retained, the incoming Government brings forward proposals to introduce graduated exemptions that reflect the unique benefits that tax payers are gaining from the scheme.***

Agricultural land

16. In our interim report we called for further evidence in relation to the case for the retention of two reliefs. These were the retention of a distinct Agricultural Property Relief from inheritance tax separate from Business Property Relief[14] and the retention of the specific exemption of agricultural property and sporting land from non-domestic or business rates.[15] The Scottish Government are proposing to end the non-domestic (business) rate exemption for shootings and deer forests as part of the Land Reform Bill that they propose to bring forward in 2015. There are no proposals to remove the exemption from non-domestic rates for agricultural land and property.

17. During the initial inquiry, we took evidence from the Institute for Fiscal Studies which questioned the continuing justification for Agricultural Property Relief from non-domestic rates or inheritance tax, saying:

> If you want to subsidise farming, there is still the question of what is the best way to do that. It is not obvious to me that a tax break that is, in effect, proportional to the rental value of the property occupied, is actually the right way that we want to subsidise farming.[16]

18. James Robertson, Institute of Chartered Accountants Scotland, suggested that the importance of a specific Agricultural Property Relief, as distinct from Business Property Relief, was that:

14 Scottish Affairs Committee, Eighth Report of Session 2013-14, Land Reform in Scotland: Interim Report, HC 877, para 46

15 Scottish Affairs Committee, Eighth Report of Session 2013-14, Land Reform in Scotland: Interim Report, HC 877, para 56

16 Q769 [Mr Adam]

> an agricultural landlord is the only form of landlord where you get an inheritance tax relief for letting your property. If you remove agricultural relief, one of the unintended consequences might be yet another incentive for somebody not to let agricultural land.[17]

He also noted that for someone farming their own land, Agricultural Property Relief would allow them to claim inheritance tax relief on the farmhouse as well as the farm land, while Business Property Relief would cover only the land.[18]

19. When asked about Agricultural Property Relief from inheritance tax, Adrian Cooper, Specialist, Personal Tax Directorate, HMRC, told us that he was not aware of any "formal review" of whether Agricultural Property Relief was meeting its policy objectives.[19] He also told us that, despite viewing the prevention of the breakup of family farms as the key policy driver behind the relief, HMRC "do not keep formal statistics" on the extent to this breakup is happening or not happening.[20]

20. **The tax system can be used as a policy lever. In the case of agricultural land, the available tax reliefs seem to be intended to encourage productive use of farmland and prevent the break-up of family farms. However, due to a lack of oversight by the Treasury and HMRC, it is not clear to what extent either Agricultural Property Relief or exemption from non-domestic rates are having the desired impact and whether there are any unintended consequences arising from the reliefs available to agricultural landowners.**

21. ***We urge the incoming Government to set out the rationale for Agricultural Property Relief and undertake a review of whether the relief is achieving its purpose. At present the case for its retention is not proven.***

Tax reliefs and the cost of land

22. The Scottish Land Fund is a Scottish Government Scheme to encourage community ownership of land. The original scheme ran until 2006. The second Scottish Land Fund scheme, run by the Big Lottery Fund and Highlands and Islands Enterprise, was launched in 2012 with the aim to "support rural communities to become more resilient and sustainable through the ownership and management of land and land assets."[21]

23. It has been suggested that the current system of tax reliefs undermines efforts to increase community ownership by inflating the price of land and making it more expensive for community groups to purchase. *Tax by Design*, the final report of a 2010 review of the tax system by the Institute for Fiscal Studies, argued that:

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17 Q1213

18 Q1214

19 Q1055

20 Q1057

21 Big Lottery Fund, Scottish Land Fund, accessed 24 March 2015

> The UK is unusual in offering unlimited 100% relief on business assets—this is not available in France, Germany, or the US. These reliefs create just the sort of non-neutrality the tax system ought to try to avoid, pushing up the price of agricultural land[...]we see no real merit in granting special treatment to preserve the wealth of a particular occupational group.[22]

24. In oral evidence, Professor Cheshire of the London School of Economics told us that:

> The money you are giving communities to buy the land is to compensate people for money you are already giving them through the tax break. It is a problem of policy failure rather than of market failure. [23]

25. When giving oral evidence, HMRC seemed unclear about the impact of tax reliefs on land value. Adrian Cooper told us that "we have seen no evidence within HMRC that the reliefs create speculative bubbles".[24] However, his colleague Mike Crabtree accepted that there would be some impact on land value, saying that:

> I could not give you a measure of how much tax reliefs impact on property values. I am sure there is an impact, but it is in the mix with so many other factors that will affect land and property prices that it might be difficult to isolate.[25]

26. **We are disappointed that the attitude of HMRC to the question of whether or not tax reliefs push up the price of agricultural land can best be summarised as 'don't know, don't care'. It is important for both the UK and Scottish Governments to consider whether parts of the tax system are pushing up land prices and undermining a commitment to increasing community land ownership.**

27. ***We recommend that the incoming Government undertake an analysis of the impact of tax reliefs on land value and that they include this information in their consideration of which tax reliefs should be retained and which should be abolished.***

The Administration of tax reliefs

28. Throughout our inquiry we have been hampered by a lack of available and reliable information on the effectiveness of land tax reliefs. Both the National Audit Office (NAO) and the Public Accounts Committee have previously considered the subject of tax reliefs. The NAO published two reports on the subject in March and November 2014 and the Public Accounts Committee published their report, *Tax Reliefs,* in June 2014.

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22 Institute for Fiscal Studies, Tax by Design, (September 2011), p 360

23 Q397

24 Q1112

25 Q1113

29. This Public Accounts Committee report concluded there was a strong case for both the Treasury and HMRC to monitor reliefs, in particular those which seek to influence taxpayer's behaviour to achieve social or economic objectives. [26]

30. The NAO stated in *The Effective Management of Tax Reliefs* that:

> Neither HM Treasury nor HMRC have established a framework or principles to guide the administration of tax reliefs. This reflects their view that tax reliefs do not have administrative implications that differentiate them from other parts of the tax system. It is our view that the defence of this principle, coupled with the desire not to be more directly accountable for reliefs, is costing the exchequer money. The departments have not identified which tax reliefs are intended to change behaviour in order to deliver policy objectives; and do not monitor or report their costs and benefits in a way that would allow government, Parliament or the public to know if such reliefs are working as intended.[27]

31. The Scottish Government's Land Reform Review Group also identified "a lack of clarity over the public costs and public benefits that result from the current exemptions and reliefs for agricultural and forestry land in national and local taxation".[28] The Group recommended that each of the exemptions and reliefs should be "reviewed and reformed as necessary, to ensure that there is a clear and transparent public interest justification for the public expenditure through revenue foregone".[29]

32. Mike Crabtree told us that it was for the Treasury to decide on the cost and benefits of tax reliefs, although HMRC would conduct one-off research projects on specific reliefs. When asked about the possibility of improvements to the monitoring of tax reliefs He told us that:

> there is always a role for better monitoring wherever possible. We want to know as much as we can about our tax reliefs, but we have to balance what information is needed for us to administer the tax system effectively with what would be additional data that it might be a burden on people to provide.[30]

33. **We are disappointed that despite the work done by the National Audit Office and the Public Accounts Committee there still seems to be considerable reluctance on the part of Government to accept the need for proper oversight and scrutiny of tax reliefs and exemptions. These reliefs mean that tax income is forgone in order to support policy objectives and they should be open to the same scrutiny as other government spending.**

26 Public Accounts Committee, Third Report of Session 2014-15, Tax reliefs, HC 877

27 National Audit Office, *The effective management of tax reliefs,* HC 785, p15

28 Land Reform Review Group, The Land of Scotland and the Common Good, (May 2014), p177

29 Land Reform Review Group, The Land of Scotland and the Common Good, (May 2014), p 177

30 Q1036 [Mr Crabtree]

34. ***The Government must ensure that both new and existing tax reliefs are properly monitored and assessed. The case for their retention is not proven at present. The incoming Government must ensure that those tax reliefs where value for money and effectiveness cannot be demonstrated are abolished.***

Common Agricultural Policy

35. The new Common Agricultural Policy (CAP) schemes came into effect for 2015 onwards. In our interim report we called for further evidence on how the new schemes could support farmers and noted that the schemes should promote "greater equity and opportunities for farmers of all types to receive a fair share of future subsidies".[31] The new Basic Payments Scheme, which replaces the previous Single Farm Payment Scheme includes a top up element for those who qualify as a young farmer. This top up payment will be available to those who qualify for the Basic Payments Scheme, will be 40 or under for the entire year of the Scheme, are head of holding and have at least a level 2 qualification in agriculture. A second scheme for young farmers or new entrants to farming who do not qualify for the Basic Payments Scheme will be funded by the Scottish National Reserve[32].

36. **It is too early to assess the impact of the new schemes but we welcome efforts to encourage new entrants to farming through the Common Agricultural Policy.**

Tax planning

37. Our interim report looked at land owned in offshore jurisdictions for tax planning reasons, either by trusts or by companies. We were concerned that such ownership arrangements could be exploited for tax avoidance purposes.[33]

38. The report of the Land Reform Review Group also addressed the issue of offshore ownership, noting that:

> A particular topic that is raised in the context of limiting who can own land in Scotland, is the lack of traceability and accountability of some legal bodies based overseas that own land here. While this issue has usually emerged in a specific case, it is also now part of wider concerns about the traceability and accountability of corporate bodies because of tax fraud and tax evasion.[34]

39. On 5 February 2013 the European Commission published its proposal for a Fourth Money Laundering Directive (4MLD). This proposal was agreed in draft by the European

31 Scottish Affairs Committee, Eighth Report of Session 2013-14, Land Reform in Scotland: Interim Report, HC 877, para 115

32 National Reserves under CAP are funds member states and regions set aside from their direct payments budget to be used for a number of purposes, such as allocating payment entitlements to new entrants and young farmers or compensating farmers for specific disadvantages

33 Scottish Affairs Committee, Eighth Report of Session 2013-14, Land Reform in Scotland: Interim Report, HC 877, para 116

34 Land Reform Review Group, The Land of Scotland and the Common Good, (May 2014), p 35

Parliament on 14 March 2014. One of the updates in 4MLD for improved public access to information on beneficial ownership.[35]

40. On 31 October 2013, the Prime Minister announced that a central registry of companies' beneficial ownership would be introduced and would be open to the public.[36] In a speech to the Open Government Partnership he said:

> We need to know who really owns and controls our companies, not just who owns them legally, but who really benefits financially from their existence. For too long a small minority have hidden their business dealings behind a complicated web of shell companies, and this cloak of secrecy has fuelled all manners of questionable practice and downright illegality […] today I'm delighted to announce that not only is that register going to go ahead, but it's also going to be open to the public.[37]

41. This commitment is being taken forward as part of the Small Business, Enterprise and Employment Bill. Part 7 of the Bill requires companies "to keep a register of people who have significant control over the company".[38]

42. While the Small Business, Enterprise and Employment Bill deals with ownership of companies, 4MLD also addresses beneficial ownership through trusts. HMRC told us that

> There are two key elements in relation to beneficial ownership. One is the beneficial ownership of companies[…] The other is a registry of beneficial ownership of trusts in which HMRC has a clear interest.[…]For trusts, [the European directive] will give us information relating to the trustees, the settlor and the beneficiary or class of beneficiaries of the trust where there is a tax consequence generated.[39]

43. While elements of the register dealing with ownership of companies will be public, the register of trusts will not be. HMRC told us that in part this was because "all the international evidence suggests that avoidance and evasion is a much bigger problem with companies than it is with trusts."[40] However, they also argued that there was a fundamental difference in how trusts and companies should be treated, telling us that:

> Trusts are essentially private arrangements. It would be a fundamental change in UK law to overturn that privacy. Companies are essentially, in the main, public entities. There is much more of a trade-off between the

35 Beneficial ownership is when someone enjoys all the rights of owning something but is not nominally the actual owner.

36 GOV.UK, PM speech at Open Government Partnership 2013, accessed 13 January 2015

37 As above

38 Small Business, Enterprise and Employment Bill, Part 7, [Bill 11 2014-15]

39 Q1172

40 Q1177

> formation of the company, the agreement that you make in forming a company, and the relief that you get for that.[41]

44. **We welcome the introduction of a publicly available register of people with significant control of a company as the first step in unpicking complex ownership arrangements used by some individuals and companies to avoid their tax obligations. We are, however, disappointed that the Government has stopped short of ensuring public access to information on beneficial ownership of land held by trusts.**

45. ***The incoming Government must ensure that information on beneficial ownership through trusts is made publicly available.***

The work of the Scottish Government

46. At the same time as we have been looking at the issue of land reform, the Scottish Government have also been taking forward work on the land reform agenda.

47. The Land Reform Review Group (LRRG) was set up in 2012 by the Scottish Government to explore key questions of land reform, including broadening the range of those involved in the ownership, governance, management and use of land in Scotland. On 23 May 2014, the LRRG published its final report, *The Land of Scotland and the Common Good*. The report adopted some of the Scottish Affairs Committee's key recommendations, particularly in relation to the transparency of land registration and on the abolition of tax exemptions for sporting land.[42]

48. Following the publication of *The Land of Scotland and the Common Good* the Scottish Government launched a consultation on the *Future of Land Reform in Scotland*. The consultation documentation included a list of the LRRG recommendations and the action being taken by the Scottish Government. The Scottish Government has also committed to bring forward a Land Reform Bill in 2015.[43]

49. We are pleased that the Scottish Government has committed to pursue the land reform agenda. We note that they are taking forward work in a number of areas identified by this Committee in our interim report, notably a need for better information on land ownership by making a commitment to have a complete, publically available land register within 10 years.

50. We are disappointed to see that the Scottish Government has ruled out any review of the exemption from non-domestic rates for agricultural land.[44] As discussed earlier in this report, it is by no means clear that there is sufficient understanding of whether various historical reliefs, including relief from non-domestic rates for agricultural land, are acting as policy levers in the way they were originally intended.

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41 Q1176

42 Land Reform Review Group, The Land of Scotland and the Common Good, (May 2014)

43 Q1176

44 Scottish Government, The Land Reform Review Groups Recommendations, accessed 24 March 2015

51. **Tax reliefs represent a cost to the public due to the tax income forgone. It should be a guiding principal that both new and existing tax reliefs should only be offered where there is a clear justification. The case for many tax reliefs is still to be proven. The incoming Government should ensure that those tax reliefs where a clear and proven benefit cannot be demonstrated are abolished.**

52. ***We reiterate our call for the UK Government to improve the oversight of tax reliefs. The UK and Scottish Governments should to work together on areas of shared interest, such as land tax reliefs in order to ensure a tax system that supports the Scottish Government's stated aim of increased community ownership of land.***

3 Conclusion

53. Land reform is an intensely political area of public policy which has previously been neglected for too long. By removing land-based barriers to the sustainable development of communities, particularly in rural areas, land reform can have a profound social impact. Any land reform programme should also ensure that effective land use and management are encouraged. We are pleased that the Scottish Government is taking forward work on land reform in line with the findings of our interim report. The Scottish Government's consultation on the *Future of Land Reform in Scotland* paper closed on 12 February 2015. We await with interest the results of the consultation and, in the longer term, the impact of land reform.

54. Concentrated land ownership has a negative impact on attempts to create a more socially just Scotland. Accordingly, the long term impact of the Scottish's Government's reforms and the new Common Agricultural Payments scheme, along with the effects of Community Land Fund on land ownership and management should be a matter of great importance to the next Scottish Affairs Committee.

Formal Minutes

Tuesday 24 March 2015

Mr Ian Davidson in the Chair

Members present:

Jim McGovern	Graeme Morrice
Mark Menzies	Mr Alan Reid

Draft Report (*Land Reform in Scotland: Final Report*), proposed by the Chair, brought up and read.

Motion made, and Question proposed, That the draft Report be read a second time, paragraph by paragraph. — *(The Chair.)*

Amendment proposed, to delete paragraphs 16 to 34. —(*Mr Alan Reid*.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 2
Mr Alan Reid	Jim McGovern
	Mark Menzies

Question accordingly negatived.

Amendment proposed, to delete paragraphs 50 to 52. —(*Mr Alan Reid*.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 1	Noes, 2
Mr Alan Reid	Jim McGovern
	Mark Menzies

Question accordingly negatived.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Wednesday 25 March 2.00pm

Witnesses

The following witnesses gave oral evidence. The evidence is available on the Committee's website at www.parliament.uk/scotaffcom

Question number

Tuesday 8 July 2014

Dr Calum Macleod, **Jon Hollingdale**, Chief Executive, Community Woodlands Association, and **Ian Cooke**, Director, Development Trusts Association Scotland — Q816-944

Tuesday 5 August 2014

Dr Alison Elliot, Chair, Land Reform Review Group — Q945-1022

Wednesday 21 January 2015

Mike Crabtree, and **Adrian Cooper**, Specialists, Personal Tax Directorate, and **Wayne Strangwood**, Corporation Tax, International and Stamps Directorate, HMRC — Q1023-1274

Wednesday 4 February 2015

David Ian Jones, General Manager, Rio Tinto Alcan, Lochaber — Q1275-1325

Published written evidence

The following written evidence was received and can be viewed on the Committee's inquiry web page at www.parliament.uk/land-reform-inquiry. INQ numbers are generated by the evidence processing system and so may not be complete.

1 Andrew Bradford (LRS0069)
2 Community Woodlands Association (LRS0068)
3 Gilles Morrison (LRS0072)
4 HMRC (LRS0073)
5 HMRC - Information on Inheritance Tax Reliefs (LRS0067)
6 Ian Cooke, Jon Hollingdale And Calum Macleod (LRS0071)
7 Rio Tinto Alcan (LRS0066)
8 The Historic Houses Association Scotland (LRS0070)

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Postal Services in Scotland	HC 669 (HC 884)
Second Report	Video Games Industry in Scotland	HC 500 (Cm 8067)
Third Report	UK Border Agency and Glasgow City Council	HC 733
Fourth Report	The Scotland Bill	HC 775
Fifth Report	Student Immigration System in Scotland	HC 912 (Cm 8192)
Sixth Report	The Referendum on Separation for Scotland: Unanswered Questions	HC 1806
Seventh Report	The Crown Estate in Scotland	HC 1117
Eighth Report	The Referendum on Separation for Scotland: Do you agree this is a biased question?	HC 1942

Session 2012–13

First Report	A Robust Grid for 21st Century Scotland	HC 499
Second Report	The Referendum on Separation for Scotland: making the process legal	HC 542
Third Report	The Referendum on Separation for Scotland: a multi-option question?	HC 543
Fourth Report	The Referendum on Separation for Scotland: Terminating Trident—Days or Decades?	HC 676 (HC 861)
Fifth Report	The Future of HM Coastguard in Scotland	HC 583
Sixth Report	The Referendum on Separation for Scotland: The proposed section 30 Order—Can a player also be the referee?	HC 863
Seventh Report	The Referendum on Separation for Scotland: Separation shuts shipyards	HC 892
Eighth Report	The Referendum on Separation for Scotland: How would Separation affect jobs in the Scottish Defence Industry?	HC 957 (HC 257)
Ninth Report	Blacklisting in Employment: Interim Report	HC 1071

Session 2013–14

First Report	Remploy Marine Fife	HC 454
Second Report	The Referendum on Separation for Scotland: The Need for Truth	HC 828
Third Report	The Referendum on Separation for Scotland: A Defence Force for Scotland–A Conspiracy of Optimism?	HC 842
Fourth Report	The impact of the Bedroom Tax in Scotland: Interim Report	HC 288
Fifth Report	The Crown Estate in Scotland: follow up	HC 889
Sixth Report	Blacklisting in Employment: addressing the crimes of the past; moving towards best practice	HC 543
Seventh Report	Referendum on Separation for Scotland: the impact on higher education, research and tuition fees	HC 1144
Eighth Report	Land Reform in Scotland: Interim Report	HC 877
Ninth Report	The impact of the Bedroom Tax in Scotland: Plan B—charges, arrears and refunds; incorporating the Government Response to the Committee's Fourth Report of Session 2013-14	HC 937
Tenth Report	Zero Hours Contracts: Interim Report	HC 654
Eleventh Report	Power Outages and Extreme Weather Conditions in the West of Scotland	HC 484
Twelfth Report	The Referendum on Separation for Scotland: Scotland's membership of the EU	HC 1241
Thirteenth Report	Blacklisting in Employment – Update: Incorporating the Government's Response to the Sixth Report of Session 2013-14	HC 1291
Fourteenth Report	The Impact of the Bedroom Tax in Scotland: Devolving the DHP cap	HC 1292

Session 2014–15

First Report	The Referendum on Separation for Scotland: Implications for Pensions and Benefits	HC 498
Second Report	Our Borderlands – Our Future	HC 556
Third Report	The Referendum on Separation for Scotland: no doubt-no currency union	HC 499
Fourth Report	The Implementations of the Smith Agreement	HC 835
Fifth Report	Impact of the closure of City Link on Employment	HC 928
Sixth Report	Our Borderlands – Our Future: Final Report	HC 571
Seventh Report	Blacklisting in Employment: Final Report	HC 272