

Smith Commission

Built Environment Forum Scotland (BEFS) welcomes the opportunity to contribute to the Smith Commission's work on further devolution of powers to the Scottish Parliament. BEFS brings together over twenty professional and voluntary non-governmental organisationsⁱ to influence strategic policy relating to the protection, management and enhancement of Scotland's built environment.

Through discussion with our members we would draw the Commission's attention to two areas in which further devolution of powers to the Scottish parliament could benefit the built environment: foreign policy and macroeconomic powers.

Foreign Policy

The Government of the United Kingdom leads on the relationship with the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the ratification of the conventions in matters relating to heritage are managed by the Department of Culture, Media and Sport. There are twenty eight World Heritage sites in the United Kingdom, five of which are in Scotland, with three further properties on the tentative list. There is strong interest within Scotland in the Convention for the Safeguarding of the Intangible Cultural Heritage (161 countries have ratified or are in the process of) but at present The UK Government through the DCMS is not moving to ratify.

While a direct relationship between UNESCO and a sub-state entity is unusual it is not unknown (see the UNESCO-Flanders cooperation agreement of 1998). A similar agreement between UNESCO and Scotland could be to the benefit not only of built heritage but cultural heritage in general, a matter that the Commission should further explore.

Macroeconomic Powers

Using devolved tax powers to stimulate investment in the historic environment

The devolution of further tax powers to the Scottish Government creates the opportunity for Scotland to stimulate and incentivise individuals and the private sector and support the third sector in addressing the multi-billion pound backlog in essential repairs to the nation's stock of pre-1919 buildings. The benefits from increased activity in the repair and maintenance sector are social, economic and environmental and support a range of Scottish Government policies and strategies. Such incentives are an investment in the strengthening of existing tax streams for the Scottish Government further down the line.

There is a strong body of evidence in support of the effectiveness of the use of tax incentives to not only to mobilise a wider range of funds to support conservation objectives, the most accessible to the English-speaker being those from the USA, where there is a well developed system of local, state and federal incentives to conserve, which have made many major conservation projects economically viable. Rutgers University's long term study for the National Park Service is especially helpful. A wealth of information is available at <http://www.novoco.com/historic/resources/research.php>.

Other systems of tax relief operate on the Netherlands, in combination with the grants system, whereby funds spent on restoration can be offset against income for tax purposes. The Nationaal Restauratiefonds operates grant / loan systems alongside the tax credit systems to ensure maximum impact. Likewise the Dutch seek to incentivise regular, systematic building maintenance to avoid expensive interventions later. In the UK such work can, perversely, attract 20% VAT.

It should be born in mind that some tax incentives do already exist, such as with Gift Aid from which many charities involved in conservation directly benefit– particularly the differential created by donations from higher rate income tax payers. With any devolution of tax powers, we are keen to ensure that existing benefits remain.

With these examples in mind, this paper seeks to identify opportunities in relation to a number of relevant strands within the tax regime, all with the aim of supporting the economic viability of conservation projects.

Income tax

Maintenance lies at the heart of assuring the nation's building stock remains in good condition for residents, and avoids the need for costly intervention at a later stage of decay. At present there is not a culture of systematic planned maintenance. Offering a relief against income tax for funds invested in maintenance will support investment by private individuals in the maintenance of properties in their ownership. It will also encourage the use of formal contractors, bringing further revenue within the realm of the exchequer, will support the creation of a formal maintenance industry, and will help avoid the catastrophic underinvestment that Scotland's historic built environment currently faces.

Capital Gains Tax

There is an opportunity for relief under CGT which act as a strong incentive for conservation. On refurbishing and selling a long term derelict building (most likely one that is on the statutory list or within a conservation area and which contributes positively to the character of that area) there should be no CGT on that disposal. The activity of refurbishing and selling should not be treated as a trade for income tax or profit for corporation tax. This would encourage the development community to address buildings that at present are considered marginal or even un-restorable in economic terms. Such works would have to be agreed by a competent body, such as Historic Scotland or its successor.

Corporation tax

The power of the development community to address the challenges in relation to the historic built environment is currently limited by the economics of conservation. While the ideas in this short paper are generally aimed at supporting the economic viability of conservation led projects, a further step would be to allow the offsetting of investment in historic buildings against corporation tax, incentivising major owners to look after their properties for the long term and incentivising developers to invest in the reuse of historic buildings

Value Added Tax

The case in relation to relief on VAT for major conservation projects and maintenance has been made very clearly to the UK treasury. The devolution of powers in relation to VAT to the Scottish

Government would give it the opportunity to fulfil the Cabinet Secretary's vision of VAT relief on works to listed buildings ([Talbot Rice Lecture](#) 05.06.2013). The Netherlands, France and other European nations have brought such reliefs into play. The impact of this would be very great indeed, particularly for the most complex conservation projects, which frequently require large subsidies from the Heritage Lottery Fund and Scottish Government, and huge fundraising efforts on behalf of the building preservation trust movement. A 20% reduction in project costs would have a fundamental effect on the character of our historic places, allowing scarce funds from the HLF and other funding sources to be spread more widely.

The Scottish Government's submission to the Commission leaves VAT as a reserved matter and varying VAT within an EU member state is commonly perceived as problematic. There are a number of EU states which apply geographic variability to the rate of VAT - Greece and the Cyclades; Spain and the Canary Islands, France and Corsica (see *VAT Rates Applied in the Member States of the European Union* 01/07/14 Ref. Ares(2014)2087537 - 25/06/2014).

Conclusion

The devolution of tax raising powers to the Scottish Government provides significant opportunities to incentivise the private sector to invest in the historic built environment, helping meet a wide range of Scottish Government objectives. It provides opportunities to ease the burden on the third sector actors and tackle some of the most long standing and difficult conservation problems in the country. It would support the long term maintenance of historic buildings and their reuse. It would give the opportunity not only to make up lost ground and address the huge repair backlog, but also to set up a world-leading system of incentives, creating the conditions for a wide range of actors to invest.

ⁱ Members: Archaeology Scotland (AS); Architectural Heritage Society of Scotland (AHSS); Association of Preservation Trusts - Scottish Committee (SAPT); Association for the Protection of Rural Scotland (APRS); Garden History Society in Scotland (GHS); Historic Houses Association for Scotland (HHA); Institute for Archaeologists – Scottish Group (SGIfA); Institute of Historic Building Conservation – Scottish Branch (IHBC); National Trust for Scotland (NTS); Royal Institution of Chartered Surveyors in Scotland (RICS); Royal Town Planning Institute in Scotland (RTPI); Scottish Civic Trust (SCT); Society of Antiquaries of Scotland (SoAS).

Associates: Association of Local Government Archaeological Officers in Scotland (ALGAO); Central Scotland Green Network Trust (CSGNT); Edinburgh World Heritage (EWH); Institute of Conservation Scotland group; Royal Incorporation of Architects in Scotland (RIAS); Royal Society of Arts Fellows' Media Creative Industries, Culture & Heritage Network (RSA- MCICH); Planning Aid Scotland (PAS); University Campus Suffolk – heritage futures; War Memorials Trust