POLICY NOTE

THE NON-DOMESTIC RATES (HOSPITALITY RELIEF) (SCOTLAND) REGULATIONS 2025

SSI 2025/40

The above instrument was made in exercise of the powers conferred by section 153 of the Local Government etc. (Scotland) Act 1994. The instrument is subject to the negative procedure.

Summary Box

These Regulations provide for temporary non-domestic rates relief for the 2025-26 financial year only. The regulations provide for a 40% non-domestic rates relief for eligible properties used for specified hospitality purposes, including as live music venues with a maximum capacity of 1,500, on the Scottish mainland (excluding properties granted Islands and Remote Areas Hospitality Relief), capped at a maximum of £110,000 per ratepayer. The regulations also extend the Islands and Remote Areas Hospitality relief for a further year to 31 March 2026 and also extend it to cover live music venues with a maximum capacity of 1,500, in respect of the financial year 2025-2026.

Policy Objectives

Hospitality Relief

The regulations provide for a temporary 40% relief for the 2025-26 financial year to eligible properties used for hospitality premises, including live music venues with a maximum capacity of 1,500 persons, and which have a rateable value not exceeding £51,000, up to a maximum value of £110,000 per ratepayer.

The relief is not available to properties which are granted Islands and Remote Areas Hospitality Relief.

Islands and Remote Areas Hospitality Relief

This instrument also continues for a further year the Islands and Remote Areas Hospitality Relief that was introduced on 1 April 2024. This is a temporary relief that will provide 100% non-domestic rates relief to eligible hospitality properties on islands which are surrounded by the sea on all sides, or in three specified remote areas, up to a maximum value of £110,000 per ratepayer. The specified remote areas are prescribed locations within Cape Wrath, Knoydart and Scoraig in recognition of the unique circumstances of these areas which are not connected to a main road network and are only accessible by boat or on foot.

The instrument extends this relief from 1 April 2025 to music venues with a maximum capacity of 1,500 persons.

The award of these reliefs must be compatible with the Subsidy Control Act 2022.

UN Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 Compatibility

In accordance with section 23(2) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024 (the Act), the Scottish Ministers certify that, in their view, the Non-Domestic Rates (Hospitality Relief) (Scotland) Regulations 2025 is compatible with the UNCRC requirements as defined by section 1(2) of the Act.

EU Alignment Consideration

This instrument is not relevant to the Scottish Government's policy to maintain alignment with the EU.

Consultation

There is no statutory requirement to consult on these regulations.

The policies provided for in this instrument were set out in the Scottish Budget 2025-26[1].

Impact Assessments

As stated, the policies provided for in this instrument were set out in the Scottish Budget 2025-26, which was accompanied by a number of impact assessments in Annex D[2].

An Island Communities impact assessment has been completed and is attached. The assessment has identified that the relief is unlikely to have significantly negative impacts for island communities, businesses or local authorities, and is appropriately targeted to benefit hospitality businesses – a key sector of island business and a key source of employment that has been particularly affected by their reliance on ferries.

A Child Rights and Wellbeing Impact Assessment has been carried out in relation to the Regulations.

Financial Effects

The decrease in the amount of non-domestic rates payable as a result of the reliefs is in line with the policy objectives outlined above.

The Scottish Fiscal Commission's *'Scotland's Economic and Fiscal Forecasts'*[3] published on 4 December 2024 included a cost estimate of £28 million in 2025-26 for the policy.

Scottish Government
Local Government and Housing Directorate

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[1] https://www.gov.scot/publications/scottish-budget-2025-2026/
[2] https://www.gov.scot/publications/scottish-budget-2025-2026/pages/18/
[3] https://fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-december-2024/