POLICY NOTE

THE NON-DOMESTIC RATES (LEVYING AND MISCELLANEOUS AMENDMENT) (SCOTLAND) REGULATIONS 2022

SSI 2022/48

The Scottish Ministers make these Regulations in exercise of the powers conferred on them by section 153 of the Local Government etc. (Scotland) Act 1994 and all other powers enabling them to do so. This instrument is subject to the negative procedure and comes into force on 1 April 2022.

The Regulations provide for a number of non-domestic rates policies:

- Provision in 2022-23 for reductions in non-domestic rates as a result of the Small Business Bonus Scheme and provides for poundage supplements, the combined Basic Property Rate (i.e. poundage) and supplements which, combined with the poundage, give the Intermediate Property Rate and Higher Property Rate, on non-domestic properties with a rateable value in excess of £51,000 and £95,000 respectively.
- An amendment to The Non-Domestic Rates (Enterprise Areas) (Scotland) Regulations 2016 to extend Enterprise Areas relief by one year until 31 March 2023.
- An amendment to The Non-Domestic Rates (Telecommunication Installations) (Scotland) Regulations 2016 to reflect mast location changes to the previously published grid references, and incorporate grid references of additional eligible new mast locations.
- Amendments to The Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2017 reduce the amount payable as non-domestic rates for certain properties. This instrument adjusts provision for the relief in 2021-22 by adjusting for inflation and adjusting calculations to take account of changes in the rates poundage and supplements that will operate in 2022-23.
- An amendment to The Non-Domestic Rates (Telecommunications New Fibre Infrastructure Relief) (Scotland) Regulations 2019 to extend New Fibre Relief until 31 March 2034.

Policy Objectives

Poundage Supplements (Property Rates)

This instrument provides for a poundage supplement of 1.3p in the pound for all non-domestic properties with a rateable value of £51,001 and not more than £95,000 (supplement + poundage = Intermediate Property Rate); and a poundage supplement of 2.6p in the pound for all non-domestic properties with a rateable value exceeding £95,000 (supplement + poundage = Higher Property Rate) on any day in the financial year 2022-23.

Small Business Bonus Scheme

The Small Business Bonus Scheme provides relief (bill discounts) to non-domestic properties in Scotland, the cumulative rateable value (i.e. the total number of premises held by the ratepayer) of which is £35,000 or less on any day in the financial year 2021-22. If this condition is met (payday lending is excluded), the Scheme offers 100% relief to individual properties with a cumulative rateable value of £15,000 or less; 25% relief to individual

properties with a cumulative rateable value over £15,000 and no more than £18,000; and 25% relief to individual properties with an individual rateable value of £18,000 or less where the cumulative rateable value is over £18,000 and no more than £35,000.

The Scheme provides the following reliefs from 1 April 2022 for non-domestic properties:

Cumulated rateable value of all individual properties in Scotland 2022-23	**Relief percentage under the Small Business Bonus Scheme**
£15,000 or less	**100%**
£15,001 to £18,000	**25%**
£18,001 to £35,000	**25% on each individual property with a rateable value of £18,000 or less**

No relief is available for individual properties where the cumulative rateable value is over £35,000.

The rateable values of sites of Reverse Vending Machines will not be included in the cumulative rateable value assessment for the Small Business Bonus Scheme.

Properties which are receiving relief on account of not being in active use are ineligible for Small Business Bonus Scheme relief. In addition, payday lenders will continue to be unable to benefit from the Scheme.

Enterprise Areas relief

The Scottish Government is committed to supporting inclusive growth throughout the Scottish economy. Four themed Enterprise Areas, which span 16 different sites and complement wider support as a part of the Scottish Government's inclusive growth agenda, aim to support the development of key sectors (Life Sciences, Low Carbon Industries, Manufacturing and Food and Drink) and creation of high quality jobs.

These regulations will continue provision of non-domestic rates relief until 31 March 2023 in these Enterprise Areas to incentivise businesses operating in a number of key economic sectors to locate on strategic geographic sites thereby encouraging the growth of those sectors and of the Scottish economy as a whole. Without these regulations, the relief would end on 31 March 2022.

Further information may be found at: https://economicactionplan.mygov.scot/

Telecommunications Mobile Masts relief

These regulations reflect mast location changes to the previously published grid references, and incorporate grid references of additional eligible new mast locations.

Relief for new mobile telecommunications masts in specified locations is aimed at incentivising mobile operators to build masts and/or improve the viability of mobile operators' business case to provide mobile services in those areas.

Achieving improved mobile coverage in Scotland is a key objective set out in the Scottish Government's *Mobile connectivity: action plan* (2016)[1]. It is referenced in the Scottish Government's Digital Strategy: *'A Changing Nation: How Scotland will Thrive in a Digital*

1 https://www.gov.scot/publications/mobile-action-plan/

World' (2021)[2] and the Scottish Government's *'A Fairer, Greener Scotland: Programme for Government 2021-22'* (2021)[3]. The non-domestic rates relief is part of the Scottish Government's commitment to working in collaboration with the mobile industry to set the right conditions to incentivise infrastructure investment in non-commercial areas (so-called "notspots"). The Scottish Government's expectation is that new mobile masts built in the eligible areas will provide 4G mobile services to notspots in (and potentially around) the eligible areas.

Transitional Relief

Transitional relief was introduced at the last revaluation on 1 April 2017 for hospitality properties across Scotland and offices in Aberdeen and Aberdeenshire and is provided for in annual regulations amending the transitional cap and accounting for the annual poundage and supplements.

The non-domestic properties eligible for this relief are those which are wholly or mainly used for specified purposes, that were so used on 31 March 2017 (or, if unoccupied on that date, were so used when last occupied), and that meet certain other conditions.

The full list of qualifying properties is in the schedule of the principal Regulations.

Any increase in the annual 'gross bill'[4] in 2022-23 is to be no more than 12.5 per cent (real terms) (14.30% in cash terms)[5] of the annual gross bill for 2021-22, subject to adjustment in respect of any changes in rateable value taking effect after the date of the revaluation, i.e. 1 April 2017.

The table below shows the annual and cumulative impact of Transitional Relief on annual gross bill increase limits for qualifying premises.

	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Real terms annual cap	12.50%	12.50%	12.50%	12.50%	12.50%	12.50%
Inflation measure	2.00%	3.00%	2.10%	1.70%	0%	1.63%
Cash terms annual cap	14.75%	15.80%	14.80%	14.40%	12.50%	14.30%
Cumulated cash terms increase in rates liability from 2016/2017	14.75%	32.90%	52.70%	74.70%	96.50%	124.72%
Annual multiplier	1.1475	1.158	1.148	1.144	1.125	1.1430
Cumulative multiplier	1.1475	1.329	1.527	1.747	1.965	2.247

New Fibre Relief

In 2019, the Scottish Government created a new 100% relief for "telecommunications new fibre infrastructure," defined in The Non-Domestic Rating (Telecommunications New Fibre

2 https://www.gov.scot/publications/a-changing-nation-how-scotland-will-thrive-in-a-digital-world/documents/
3 https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/documents/
4 The gross bill for the purposes of this note is the rateable value on that day multiplied by the poundage factor; the poundage factor being the non-domestic poundage for that year plus, where applicable, the relevant Poundage Supplement for that year.
5 Inflation is set at 1.63%, which is the percentage increase in the non-domestic poundage from 2021-22 (49.0p) to 2022-23 (49.8p).

Infrastructure) (Scotland) Order 2019[6]. This infrastructure includes the new fibre; a proportion[7] of the poles, posts, towers, masts, mast radiators, pipes, ducts and conduits, etc. that is used solely in connection with the new fibre, and any parts of the lands and heritages which are exclusively occupied by the new fibre. That Order provides that the telecommunications new fibre infrastructure must be the subject of a separate entry on the valuation roll.

These regulations will continue provision of non-domestic rates relief to 31 March 2034 from the day the entry for this infrastructure is made on the Valuation Roll, and any additions to that entry, as set out in the Scottish Government's *'A Fairer, Greener Scotland: Programme for Government 2021-22'* (2021)[8]. An application must be made for this relief but it can commence from the date of entry on the Roll. Without these regulations, the relief would end on 31 March 2029.

Consultation

There is no statutory requirement to formally consult on these Regulations.

Impact Assessments

No Business and Regulatory Impact Assessment has been carried out.

Financial Implications

The decrease in the amount of non-domestic rates payable is in line with the policy objective as outlined above.

The Scottish Fiscal Commission's Scotland's Economic and Fiscal Forecasts published on 9 December 2021 forecasted that the reliefs set out in these regulations would cost the following in 2022-23:

- Small Business Bonus Scheme relief – £274 million
- Enterprise Areas relief - £1 million
- Mobile Masts relief – less than £1 million
- Transitional Relief - £1 million
- New Fibre relief – less than £1 million

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6 S.S.I. 2019/42
7 In order to estimate this proportion, the Assessor is to calculate what the rateable value of the lands and heritages would be were they not subject to separate entries in the roll.
8 https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/documents/