POLICY NOTE

THE NON-DOMESTIC RATES (LEVYING AND MISCELLANEOUS AMENDMENTS) (SCOTLAND) REGULATIONS 2021

SSI 2021/65

The above instrument is made in exercise of the powers conferred by section 153 of the Local Government etc. (Scotland) Act 1994 and by all other enabling powers. The instrument is subject to the negative procedure and comes into force on 1 April 2021.

These Regulations provide for a number of non-domestic rates policies.

- The Levying Regulations make provision from 1 April 2021 for reductions in non-domestic rates as a result of the Small Business Bonus Scheme and provides for poundage supplements, the combined Basic Property Rates (i.e. poundage) and supplement being known as 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 (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 it for inflation and adjusting calculations to take account of changes in the rates poundage and supplements that will operate in 2021-22.
- An amendment to The Non-Domestic Rates (Day Nursery Relief) (Scotland) Regulations 2018 to continue Day Nursery relief until 30 June 2023.
- An amendment to the Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 2018 to increase the upper threshold of the rateable value of lands and heritages for Fresh Start relief from £65,000 to £95,000.
  An amendment to The Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2019 removing a restriction on the non-domestic rates relief provided by the Business Growth Accelerator relief, in cases which meet certain qualifying conditions, where there is also an increase in rateable value.

Policy Objective

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 2021-22.

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 2021 for non-domestic properties:

Cumulated rateable value of all individual properties in Scotland 2020-21	**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.

Telecommunications 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 refresh: '*Realising Scotland's full potential in a digital world: a digital strategy for Scotland'* (2017)[2] and the Scottish Government's '*A nation with ambition: the Government's Programme for Scotland 2017-2018'* (2017).[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 31st 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.

1 https://www.gov.scot/policies/digital/broadband-and-mobile/
2 https://www.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/
3 https://www.gov.scot/publications/nation-ambition-governments-programme-scotland-2017-18/

Any increase in the annual 'gross bill'**4** in 2021-22 is to be no more than 12.5 per cent (real terms) (the same in cash terms)**5** of the annual gross bill for 2020-21, subject to adjustment in respect of any changes in rateable value taking effect after the date of revaluation, i.e. 1st 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
Real terms annual cap	12.50%	12.50%	12.50%	12.50%	12.50%
Inflation measure	2.00%	3.00%	2.10%	1.70%	0%
Cash terms annual cap	14.75%	15.80%	14.80%	14.40%	12.50%
Cumulated cash terms increase in rates liability from 2016/2017	14.75%	32.90%	52.70%	74.70%	96.50%
Annual multiplier	1.1475	1.158	1.148	1.144	1.125
Cumulative multiplier	1.1475	1.329	1.527	1.747	1.965

Day Nursery
These regulations will continue provision of 100% non-domestic rates relief for properties wholly or mainly used as day nurseries (within the meaning of section 135 of the Education (Scotland) Act 1980) which also provide day care of children (as defined in paragraph 13 of schedule 12 of the Public Services Reform (Scotland) Act 2010) until 30 June 2023.

Day Nursery relief was introduced in 1 April 2018 following the Barclay Review's recommendation that the Scottish Government should introduce a new relief for day nurseries to ensure the workforce is supported by convenient, affordable and accessible childcare. The Scottish Government accepted this recommendation.

Fresh Start Relief
Fresh Start relief was introduced on 1 April 2016 and initally offered up to 12 months 50% relief to shops, offices, restaurants, pubs or hotels (or where there has not been previous use, the use had been as a shop, office, restaurant, pub or hotel) with a rateable value of up to £65,000; that had been empty for over 12 months and that then became occupied. This relief was expanded in 1 April 2018 as part of the Scottish Government's response to the Barclay Review through an increase in the level of relief from 50% to 100%. All property uses became eligible (except payday lending), and the minimum prior period of having received empty property relief was reduced from 12 to six months. The upper rateable value threshold remained at £65,000, and the maximum period of relief remained at 12 months.

The Scottish Government is committed to supporting the recovery of the Scottish economy in the post-COVID-19 period. Widening the eligibiliity criteria for Fresh Start relief will expand the existing incentive created by the relief to re-occupy long-term empty property.

This instrument expands Fresh Start relief for qualifying properties occupied from 1 April 2021 or thereafter, by widening the eligibility criteria. The upper rateable value threshold has been increased from £65,000 to £95,000. All property uses are eligible (except payday lending) if they have met the

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 0%, which is the percentage increase in the non-domestic poundage from 2020-21 of 49p (factoring in the 1.6% universal relief to all non-domestic properties) to 2022-23 (49p).

minimum 6 month prior period of having received empty property. The relief delivers 100% discount from non-domestic rates for 12 months.

Business Growth Accelerator (BGA) Relief
BGA relief was introduced in response to the Barclay Review which recommended that to boost business growth, a 12 month delay should be introduced before rates are increased when an existing property is expanded or improved and also before rates apply to a new build property. The Scottish Government went further, introduced on 1 April 2018:

- 100% relief on new properties for 12 months until after they are first occupied;
- 100% relief for 12 months on property improvements – except where there had been a concurrent change of use of the property

These regulations remove the restriction on the relief available for property improvements where there has also been a change of use.

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.

This instrument will increase the cost of Fresh Start relief on the Scottish Government. This relief is not currently subject to a subsidy regime.

Scottish Government
Local Government and Communities Directorate

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