POLICY NOTE

THE NON-DOMESTIC RATES (RELIEF FOR NEW AND IMPROVED PROPERTIES) (SCOTLAND) AMENDMENT REGULATIONS 2020

SSI 2020/40

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

These Regulations provide the continuation of the following non-domestic rates relief for 2020-21:

- 100% relief on new properties for 12 months until after they are first occupied;
- 100% relief for 12 months on property improvements.

Policy objective

The independent Barclay Review of non-domestic rates recommended (Recommendation 1) the creation of a Business Growth Accelerator – "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."[1] The Regulations ("the principal Regulations") being amended by these Regulations deliver the intention of the Business Growth Accelerator by offering:

- 100% relief on new properties for 12 months until after they are first occupied;
- 100% relief for 12 months on property improvements.

The principal Regulations cover, amongst other types of new property, new property that was entered on the valuation roll after 1 April 2018 under section 2(1)(d) of the Local Government (Scotland) Act 1975; which is made up of "one or more buildings or parts of a building [that] are shown in that entry, none of which were shown in any entry in the roll for the day prior to the day that entry takes effect". This is when an existing entry shown on the Roll is altered for a material change in circumstances, and the relief is available on the whole rateable value of the property if there is an increase in rateable value on the day the alteration on the roll takes effect. An example would be where an existing building is demolished and a new building replaces it, with a greater rateable value. From 1 April 2020, the conditions for eligibility for relief are amended so that, where the alteration to the roll took place within the previous 12 months, for the day immediately prior to the day on which the alteration took effect, the lands and heritages have to have been unoccupied and eligible for empty property relief (see regulation 2(3) of these Regulations).

Regulation 2(2) provides that relief is not available from 1 April 2020 for certain buildings that appear in the valuation roll for the first time, but are not newly built. Relief will no longer be available where a building existed on lands and heritages that were exempt from being entered in the roll, but cease to be exempt. An example would be a building on agricultural lands and heritages. Such lands and heritages might be entered in the roll as a result of a change of use. However, properties in this situation receiving relief in 2019-20 will continue to be eligible until such time as the relief runs out.

[1] https://www2.gov.scot/Resource/0052/00523643.pdf

Under regulations 2(5) and (7)(b), the relief for improvement of lands and heritages is extended to include Class 4 of plant and machinery under The Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000, as amended. This includes items which are in the nature of a building, or which form an integral part or are in the nature of a building. For example this might include plant and machinery such as, turbines and generators, boilers, chimneys and flues, tanks, and silos.

The formulas used to calculate reliefs have been adjusted to reflect that 2020-21 is not a leap year. Other changes relate to the relief being for the 2020-21 year, or adjust for the poundage and supplementary rates figures, or take account of inflation.

An application must be made for these reliefs (see regulation 12 of the principal Regulations).

Consultation

There is no statutory requirement to consult on these Regulations.

Business and Regulatory Impact Assessment

No Business and Regulatory Impact Assessment is required because the present instrument will not impose new regulatory burdens on businesses, charities or the voluntary sector.

Financial Implications

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

This relief is not subject to State aid de minimis.

Scottish Government
Local Government and Communities Directorate
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