POLICY NOTE

THE NON-DOMESTIC RATES (RETAIL, HOSPITALITY AND LEISURE RELIEF) (SCOTLAND) REGULATIONS 2026

SSI 2026/69

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 2026-27 financial year only, for eligible properties used, capped at a maximum of £110,000 per ratepayer:

- a 15% non-domestic rates relief for properties used for specified retail, hospitality or leisure purposes and with a rateable value up to and including £100,000 on the mainland (except Remote Areas); and
- a 100% non-domestic rates relief for eligible properties used for specified retail, hospitality or leisure purposes, on the Islands and Remote Areas.

Policy Objectives

Mainland (except Remote Areas) Retail, Hospitality and Leisure (RHL) Relief (regulation 4)

The regulations provide for a temporary 15% relief (i.e. a reduction of 15% in the gross rates payable in respect of any day during the period beginning on 1 April 2026 and ending on 31 March 2027) to eligible properties with a rateable value up to and including £100,000 (those liable for the Basic or Intermediate Property Rate), used for specified retail, hospitality or leisure (RHL) purposes, up to a potential maximum value of £110,000 per ratepayer. The relief reduces by 15% the gross rates payable for eligible properties in respect of any day in 2026-27.

Mainland (except Remote Areas) RHL relief cannot reduce the rates payable to an amount less than nil.

The relief is not available on a property that is in receipt of Islands and Remote Areas RHL Relief.

Islands and Remote Areas Retail, Hospitality and Leisure (RHL) Relief (regulation 5)

This instrument also provides for a reduction to nil of the rates payable in respect of a property, i.e. a temporary 100% relief in respect of any day in 2026-27 to eligible properties used for specified retail, hospitality and leisure purposes on Islands and specified Remote Areas, up to a potential maximum value of £110,000 per ratepayer.

Islands are defined as naturally formed areas of land in Scotland which are surrounded on all sides by the sea (ignoring artificial structures such as bridges), and above water at high tide. 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.

Where a ratepayer has lands and heritages eligible for relief under regulation 4 and other lands and heritages eligible for relief under regulation 5, the total maximum amount by which the rates liability of the ratepayer may be reduced, applying both regulations, is £110,000.

Within Schedule 1, use for the purposes of defining retail, hospitality and leisure is considered to include use wholly or mainly for the following purposes: bed and breakfast accommodation, camping site, caravan or caravan site, chalet, holiday hut, bothy, guest house, hotel, hostel, public house, restaurant (which would include a café, coffee shop, bistro, fast food restaurant or snack bar), self-catering holiday accommodation, timeshare accommodation, market, retail shop (which would include a charity shop), funeral parlour , travel agency, use to provide hair and beauty services (for example a hairdressing salon, nail bar, beauty salon or tanning shop), shoe repair, key cutting, photo processing, laundry service, car or tool hire, car washing or repair of domestic/electrical goods; use as a massage parlour, health spa, art gallery or centre, bingo hall, sports club, sports centre, sports ground, clubhouse, gymnasium, museum, cinema, theatre, music venue, ticket office, recreational ground, recreational centre, park, bingo hall, tourist attraction or tourist facility, soft play centre, amusement arcade or amusement centre.

The Schedule does not include amongst others use for: financial services (e.g. a bank, building society, cash point, bureau de change, payday lender, betting shop, pawn broker), other services (e.g. an estate agent, letting agent or employment agency), medical services (e.g. a vet, dentist, doctor, osteopath or chiropractor), professional services (e.g. a solicitor, accountant, insurance agent/ financial adviser, tutor), post office sorting office, casino, gambling club or betting shop.

The award of this relief must be compatible with the Subsidy Control Act 2022.

An application requires to be made by the ratepayer to the council for this relief.

This relief is not available for properties which are used wholly or mainly for a purpose for which a short-term let licence is required, in accordance with article 4 of the Civic Government (Scotland) Act 1982 (Licensing of Short-term Lets) Order 2022, but for which no such licence has been obtained.

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 (Retail, Hospitality and Leisure Relief) (Scotland) Regulations 2026 are 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 reliefs provided for in this instrument were set out in the Scottish Budget 2026-27.[1] The Scottish Budget committed to these reliefs for the three financial years 2026-27 to 2028-29.

Impact Assessments
An Island Communities impact assessment has been carried out in relation to the 100% non-domestic rates relief for eligible properties used for specified retail, hospitality or leisure purposes, on the Islands and Remote Areas provided for in the Regulations. The assessment has identified that this relief is unlikely to have significantly negative impacts for island communities, businesses or local authorities, and is appropriately targeted to benefit retail, hospitality and leisure businesses – key sectors of island business and key sources of employment that have 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 Economic and Fiscal Forecast[2] published on 13 January 2026 includes a cost estimate for 2026-27 of £36 million for the 15% mainland retail, hospitality and leisure relief and £8 million for the 100% retail, hospitality and leisure relief on islands and Remote areas.

Scottish Government
Local Government and Housing Directorate

February 2026

[1] Scottish Budget - gov.scot (https://www.gov.scot/budget)
[2] Scotland's Economic and Fiscal Forecasts – January 2026 | Scottish Fiscal Commission (https://fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-january-2026/)