POLICY NOTE

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

SSI 2025/39

The above instrument was made in exercise of the powers conferred by section 153 of the Local Government etc. (Scotland) Act 1994 and section 14 of the Non-Domestic Rates (Scotland) Act 2020. The instrument is subject to the negative procedure.

Summary Box

These regulations make provision to cap the amount payable as non-domestic rates for properties in 2025-26 in certain circumstances.

Policy Objectives

These regulations provide for the two transitional relief schemes available in 2025-26 which are set out below.

The Scottish Budget 2023-24[1] was published on 15 December 2022 and announced both of these reliefs.

General Revaluation Transitional Relief

A General Revaluation Transitional Relief is available for all property types and caps increases in 'gross bills'[2] for any day in 2025-26, relative to 31 March 2023 at a specified percentage increase. The cap that applies depends on the rateable value of the property on 1 April 2023.

Under regulation 6, in order to be eligible for this relief, the property requires to have been shown in an entry on the valuation roll on both 31 March 2023 and 1 April 2023. Properties with a nil rateable value on 1 April 2023, or which had a nil rateable value on 31 March 2023, are not eligible. Equally, eligibility ceases if there is a merger, split or reorganisation of the valuation roll entry for the property occurring on a day after 1 April 2023, from the day the merger, split or reorganisation takes effect.

Subject to the above, the General Revaluation Transitional Relief provides that any increase in the gross bill in 2025-26 is to be no more than the following percentage (cash terms) of the annual gross bill for 2024-25, subject to adjustment in respect of any changes in rateable value taking effect after the date of revaluation, i.e. 1 April 2023:

- 37.5% for properties with a rateable value at revaluation on 1 April 2023 up to and including £20,000
- 75% for properties with a rateable value at revaluation on 1 April 2023 from £20,001 and up to and including £100,000
- 112.5% for properties with a rateable value at revaluation on 1 April 2023 in excess of £100,000.

[1] https://www.gov.scot/publications/scottish-budget-2023-24/documents/

[2] The gross bill for the purposes of this note is the rateable value on that day multiplied by a poundage factor; the poundage factor being the non-domestic property rate for that year – the Basic Property Rate, Intermediate Property Rate or Higher Property Rate, as the case may be.

Tables 1-3 below show the annual and cumulative impact of General Revaluation Transitional Relief on annual gross bill increase limits for qualifying properties.

Table 1: Properties with rateable value on 1 April 2023 up to and including £20,000

	2023-2024	2024-2025	2025-26
Annual cap	12.5%	25.0%	37.5%
Cumulative cap	12.5%	40.6%	93.3%
Cumulative multiplier	1.125	1.406	1.933

Table 2: Properties with rateable value on 1 April 2023 from £20,001 and up to and including £100,000

	2023-2024	2024-2025	2025-26
Annual cap	25.0%	50.0%	75.0%
Cumulative cap	25.0%	87.5%	228.1%
Cumulative multiplier	1.250	1.875	3.281

Table 3: Properties with rateable value on 1 April 2023 in excess of £100,000

	2023-2024	2024-2025	2025-26
Annual cap	37.5%	75.0%	112.5%
Cumulative cap	37.5%	140.6%	411.3%
Cumulative multiplier	1.375	2.406	5.113

Regulation 7 of the regulations specifies that where a property's notional liability on a day is more than the transitional limit calculated in accordance with regulation 9, the amount of rates payable is equal to that transitional limit (subject to Part 3).

Regulation 8 sets out the calculation for the notional liability on any day in the relevant year – this is the gross bill (i.e. before any reliefs are applied). The non-domestic rate (Basic, Intermediate or Higher Property Rate) to be applied in calculating the notional liability depends on the rateable value on the day under consideration.

Regulation 9 sets out the formula which should be used to calculate the transitional limit. The transitional limit is calculated by multiplying the 'base liability' by the relevant factor (which depends on the rateable value of the property). Any increase in rateable value after revaluation is not subject to the cap, and any decrease in rates caused by a decrease in rateable value after revaluation should also be taken into account proportionately.

The 'base liability' is defined in regulation 10 and corresponds, if there has not been a split or reorganised entry on 1 April 2023, to the amount which would have been payable as rates in respect of those lands and heritages for the year ending 31 March 2023, had that amount been calculated on the basis of the rateable value of the lands and heritages on 31 March 2023, including any additional amounts of rates payable (Basic, Intermediate or Higher Property Rate as the case may be), but before applying any reliefs.

If the property is shown in a split or reorganised entry taking effect on 1 April 2023, a reduction is applied to the gross bill and then uplifted by the relevant factor to calculate the transitional limit. The reduction is:

- 1.2 for properties with a rateable value on the day of up to £20,000

- 1.25 for properties with a rateable value on the day from £20,001 and up to and including £100,000
- 1.4 for properties with a rateable value on the day over £100,000

The above measures interact with reductions to the amounts payable under other reliefs such as Charity relief. Regulation 11 in Part 3 provides for such reductions to apply to the transitional limit if that is the amount of rates payable under regulation 7.

Regulation 12 sets out the calculation for the amount payable for partially unoccupied properties where regulation 7 applies. This is the amount determined under regulation 7, multiplied by the rateable value treated for rating purposes as the rateable value of the property (namely the apportioned amount) divided by the total rateable value of the property.

Regulation 13 specifies that nothing in these regulations requires rates to be paid if the property is exempt from rates under any other legislation, and that councils may still choose to offer local relief to any property receiving a reduction under these regulations.

Small Business Transitional Relief

Under regulation 14, a Small Business Transitional Relief capping the maximum increase in the net rates liability relative to 31 March 2023 at £1,800 in 2025-26 after any relief is available for properties:

- Entitled to Small Business Bonus Scheme relief and/or
- Entitled to mandatory or discretionary Rural Relief on 31 March 2023 and no longer entitled on 1 April 2023 due to their rateable value increasing at the 2023 revaluation beyond the qualifying threshold(s) set out in the Non-Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Order 2005, as amended.

Under regulation 6, in order to be eligible for this relief, the property requires to have been shown in an entry on the valuation roll on both 31 March 2023 and 1 April 2023. Properties with a nil rateable value on 1 April 2023, or which had a nil rateable value on 31 March 2023 are not eligible. Equally, eligibility ceases if there is a merger, split or reorganisation of the valuation roll entry for the property occurring on a day after 1 April 2023, from the day the merger, split or reorganisation takes effect.

Subject to the above, the increase in the net rates bill at revaluation on 1 April 2023 is maximum £1,800 in 2025-26 – this is after any other relief has been applied, including the General Revaluation Transitional Relief if applicable. Any increases in rateable value after revaluation are not subject to the cap, and any decrease in rates caused by a decrease in rateable value after revaluation would also be taken into proportionate account.

Applications for Relief

Regulation 15 requires that an application be made for the Small Business Transitional Relief however regulation 14(8) clarifies that where these reliefs had already been granted in respect of 2023-24 under The Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2023 or in respect of 2024-25 under The Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2024, then no application needs to be made in respect of 2025-26.

An application is not required for the General Revaluation Transitional Relief, this should therefore be automatically applied on gross bills by local authorities.

Changes to Business Growth Accelerator Relief

Regulation 16 amends the Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2022 to specify the formula for the calculation of the transitional limit and base liability for properties that are in receipt of both the General Revaluation Transitional Relief and Business Growth Accelerator relief on a day.

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 (Transitional 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

Scottish Ministers have consulted such persons as they consider appropriate in the design of these regulations, namely local authorities and members of the Institute of Revenues, Rating and Valuation. Small clarifications were made in the regulations in respect of the requirements for applications for relief in response to their comments.

Impact Assessments

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 estimate that the General Revaluation Transitional Relief and Small Business Transitional Relief will cumulatively reduce non-domestic rates income by £30 million in 2025-26.

Scottish Government
Local Government and Housing Directorate

February 2025

[3] https://fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-december-2024/