POLICY NOTE

THE NON-DOMESTIC RATES (TRANSITIONAL RELIEF) (SCOTLAND) REGULATIONS 2026

SSI 2026/70

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 2026-27 in certain circumstances.

Policy Objectives

These regulations provide for the two transitional relief schemes available in 2026-27 which are set out below.

The Scottish Budget 2026-27[1] was published on 13 January 2026 and announced both of these reliefs.

Revaluation Transitional Relief

A Revaluation Transitional Relief is available for all property types and caps increases in 'gross bills'[2] for any day in 2026-27, relative to 31 March 2026 at a specified percentage increase. The cap that applies depends on the rateable value of the property on 1 April 2026.

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 2026 and 1 April 2026. Properties with a nil rateable value on 1 April 2026, or which had a nil rateable value on 31 March 2026, 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 2026, from the day the merger, split or reorganisation takes effect.

Subject to the above, the Revaluation Transitional Relief provides that any increase in the gross bill in 2026-27 is to be no more than the following percentage of the annual gross bill for 2025-26 (based on 31 March 2026), subject to adjustment in respect of any changes in rateable value taking effect after the date of revaluation, i.e. 1 April 2026:

- 15% for properties with a rateable value at revaluation on 1 April 2026 up to and including £20,000
- 30% for properties with a rateable value at revaluation on 1 April 2026 from £20,001 and up to and including £100,000
- 50% for properties with a rateable value at revaluation on 1 April 2026 in excess of £100,000.

[1] Scottish Budget 2026 to 2027 - gov.scot (https://www.gov.scot/publications/scottish-budget-2026-2027/)

[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.

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 2026, to the amount which would have been payable as rates in respect of those lands and heritages for the year ending 31 March 2026, had that amount been calculated on the basis of the rateable value of the lands and heritages on 31 March 2026, 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 2026, 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

Relief under regulation 14 reduces the net bill increase in 2026-27 to 25% of what it otherwise would have been, after any other relief has been applied, including the Revaluation Transitional Relief if applicable, for properties in respect of which the ratepayer is:

- entitled to Small Business Bonus Scheme (SBBS) Relief;
- entitled to mandatory or discretionary Rural Relief on 31 March 2026 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;
- entitled to hospitality relief on 31 March 2026; and/or
- entitled to Small Business Transitional Relief on 31 March 2026.

Regulation 14 applies only in so far as the ratepayer who was entitled to relief on 31 March 2026 in respect of particular lands and heritages continues to be liable to pay rates in respect of those lands and heritages. Further, relief under regulation 14 does not apply where lands and heritages are used wholly or mainly for a purpose for which a short-term let licence order is required in terms of 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.

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 2026 and 1 April 2026. Properties with a nil rateable value on 1 April 2026, or which had a nil rateable value on 31 March 2026 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 2026, from the day the merger, split or reorganisation takes effect.

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

An application is not required for the Revaluation Transitional Relief, this should therefore be automatically applied on gross bills by local authorities. Regulation 15 requires that an application be made for the Small Business Transitional Relief.

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 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 2026 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 13 January 2026 forecast that the Revaluation Transitional Relief and Small Business Transitional Relief will reduce non-domestic rates income by £109 million cumulatively in 2026-27.

Scottish Government
Local Government and Housing Directorate

February 2026

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