POLICY NOTE

THE NON-DOMESTIC RATING (UNOCCUPIED PROPERTY) (SCOTLAND) AMENDMENT REGULATIONS 2013

SSI 2013/37

The above instrument is made in exercise of the powers conferred on the Scottish Ministers by sections 24(2) and (3), 24A(4) and 24B(3) of the Local Government (Scotland) Act 1966 and all other enabling powers. The instrument is subject to negative procedure.

Purpose of the Instrument

The purpose of this instrument is to reform the non-domestic rate levied on unoccupied property and to introduce 2 new incentives. The first supports occupation of certain long term empty properties and the second assists developers of new properties that are empty when entered on the valuation roll.

Background

This instrument comes into effect on 1 April 2013 and is aimed at creating a package of new measures to incentivise occupation of empty premises and support and encourage diversification of high streets and development of new properties.

The instrument changes the rate liability after a 3 month period of exemption for certain unoccupied premises. The liability will alter to 90% of the liability that would arise if the premises were occupied (the rate up to 31 March 2013 is 50%). This means that for a standard (commercial) empty property 100% relief will be received by the taxpayer for the first 3 months and thereafter 10% relief will apply.

This instrument makes no change to the rate levied on unoccupied industrial or listed property and these will continue to receive 100% relief for the unoccupied period.

In addition 2 new incentives are created by this instrument.

The first applies where a property has been empty for over 12 months and then becomes occupied. It applies if the property has a rateable value of up to £45,000 and was last previously occupied as a shop or office (or where there has not been previous use, the use is as a shop or office). For the first year of occupancy the ratepayer can apply for the property to be deemed to be unoccupied, which allows a 50% reduction in the rates payable. The value of relief available is capped by State aid de minimis (200,000 euros over a rolling 3 year period from all reliefs).

Secondly, where a new property is first entered in the valuation roll on or after 1 April 2013 the ratepayer can apply for 100% rate relief for up to 18 months while it is unoccupied (capped by State aid de minimis). The relief will be available for properties entered on the valuation roll up to 31 March 2016. The 18 months of relief need not be claimed continuously, and can be claimed if the property is unoccupied on or before 31 March 2018.

Consultation

There is no statutory requirement to formally consult on these Regulations. However, extensive engagement took place throughout 2012 and 2013 on reform of empty property relief, as part of the consideration by the Parliament of the Bill that became the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012.

Business and Regulatory Impact Assessment

No Business Regulatory Impact Assessment has been carried out. Post legislative scrutiny of the policy will be undertaken in 2015.

Financial Implications

The reduction of empty property rate relief from 50% to 10% will save an estimated £18 million in each of 2013-14 and 2014-15. The costs of the 2 new incentives will be absorbed from within existing non domestic rate income estimates.