

Summary

Scottish Land & Estates (SLE) welcomes the Non-Domestic Rates (Scotland) Bill and the constructive effort being made to deliver a Non-Domestic Rates system designed to support business growth and long-term investment and better reflect changing marketplaces.

SLE supports the Bill's objective to improve ratepayers' experience of the rating system and administration of the system. It is right for the Bill to be ambitious in proposing measures which will increase fairness and ensure a level playing field amongst ratepayers by reforming rate reliefs and tackling avoidance measures.

This Bill is founded on the recommendations of the Barclay Review Group and therefore, is focused on the questions the group was asked to consider. SLE broadly welcomes the changes to Non-Domestic Rates regulations as set out in the Bill, but we are concerned that some elements of the Bill are attempting to take the Bill beyond the scope of the original review and that these proposals will have unintended consequences.

This briefing builds on the evidence we submitted to the committee and our previous briefing published before Stage 2.

We recommend members of the Parliament vote on the following amendments, listed in the order they will be debated, as follows:

Group 2 - Support Amendments 1, 2, 3, 4, 5, 7, 6, 45, 8, 10, 9, 66, 11, 13, 12, 67, 14 on *Consultation on and procedure for regulations*

Group 3 - Oppose Amendment 32, 33, 34 on *Power of the Scottish Ministers to remove exempt status of lands and heritages*

Group 3 - Support Amendment 22 on *Power of the Scottish Ministers to remove exempt status of lands and heritages*

Group 5 - Support Amendments 36, 37, 38, 39, 40, 41, 42, 43 on *Proposals to alter, and appeals against, valuation roll*

Group 6 - Support Amendments 17, 18, 21 on *Meaning of "material change of circumstances"*

Group 7 - Oppose Amendments 23, 23A, 28, 68, 69, 70, 29, 71, 72 on *Setting of non-domestic rates by rating authorities*

Group 7 - Support Amendment 44 on *Setting of non-domestic rates by rating authorities*

Group 8 - Oppose Amendment 24 on *Setting of a progressive rate for non-domestic rates*

Group 9 - Oppose Amendment 25 on *Mandatory minimum payment of non-domestic rates*

Group 10 - Support Amendment 46, 47, 48, 49, 50 on *Contribution to net-zero emissions target: rates relief*

Group 12 - Support Amendment 56 on *Duty to report on number of assessors and availability of resources*

Group 13 - Support Amendment 55 on *Status of secretary of valuation appeal panel*

Group 14 - Oppose Amendments 26, 27, 27A on *Procedure for regulations setting non-domestic rates and rates relief*

Group 14 - Support Amendments 57 on *Procedure for regulations setting non-domestic rates and rates relief*

Group 15 - Support Amendment 19, 63, 20 on *Assessor information notices and penalties*

Group 15 - Oppose Amendment 64 & 65 on *Assessor information notices and penalties*

Group 2 - Consultation on and procedure for regulations (Amendments 1, 2, 3, 4, 5, 7, 6, 45, 8, 10, 9, 66, 11, 13, 12, 67, 14)

We support Amendments 1, 2, 3, 4, 5, 7, 6, 45, 8, 10, 9, 66, 11, 13, 12, 67, 14 by Alexander Stewart regarding consultation on and procedure for regulations.

We feel these amendments assist with improved scrutiny and should help ensure certainty and clarity for those affected by the legislation.

Group 3 - Power of the Scottish Ministers to remove exempt status of lands and heritages (Amendments 32,33,34,22)

We oppose Kate Forbes' Amendments 32, 33, 34

We have significant concerns regarding Section 3A and do not feel these Amendments will mitigate its potential negative consequences.

We support Peter Chapman's Amendment 22

We are concerned that the possibility of the removal of the exemption for agricultural properties from non-domestic rates will have a significant negative impact on agricultural businesses. The agricultural industry is already in an unprecedented state of flux due to current political and market challenges. For farm and rural businesses to be able to plan they need stability. The possibility of the significant financial impact that inclusion on the non-domestic roll would incur could disincentivise investment and compromise business returns.

Both the Barclay Review and Cabinet Secretary decided that agricultural land should not be subject to non-domestic rates. The decision, which was supported by SLE, NFUS and others within the agricultural industry at that time, was in recognition of slim margins within many agricultural businesses. The Scottish Government profess a desire to encourage more farmers and crofters to develop more processing activity to earn a share of the margin that exists along the supply chain. However, we feel that Section 3A ignores this and will add significantly to the uncertainty farmers already face.

Group 5 - Proposals to alter, and appeals against, valuation roll (Amendments 36, 37, 38, 39, 40, 41, 42, 43)

We support Kate Forbes Amendments 36, 37, 38, 39, 40, 41, 42, 43

The current appeals system is resource-heavy for all parties. We hope that these amendments will continue the work in the previous stages of the Bill to make this process more efficient and effective.

Group 6 - Meaning of “material change of circumstances (Amendments 17, 18, 21)

We support Amendments 17, 18, 21 by Graham Simpson

We consider that the legislation surrounding the definition of a ‘material change of circumstances’ is indistinct and leads to confusion. We supported the work done to clarify this at earlier stages of the Bill and feel these amendments will add clarity.

Group 7 - Setting of non-domestic rates by rating authorities (Amendments 23, 23A, 44, 28, 68, 69, 70, 29, 71, 72)

We oppose Amendments 23, 23A, 28, 68, 69, 70, 29, 71, 72 by Andy Wightman

This reform would have a significant impact across Scotland and therefore, must be carefully considered. We have concerns that having inconsistency in rates across Scotland could be unduly burdensome and challenging for businesses. This could have a negative effect, particularly on rural employment and investment.

We appreciate the logic and benefit of local authorities being able to spend the money they collect. However, we are concerned that the negative consequences of the subsequent impact would have to be carefully weighed against the benefits.

Our key asks for rates, and the rates system, is that they should be clear, accessible and consistent. Inconsistency would create confusion, and we have serious concerns about the resourcing and administration of such a change given current Local Government budgetary pressures. Furthermore, this reform would have an impact on other elements of the rates system, and this would also have to be analysed. For example, there would need to be thorough consideration of how this proposal would affect appeals etc.

We support Amendment 44 by Kate Forbes.

While we support the principle of localism, we feel that this Bill is not the correct place to remove universal rates. We would welcome the opportunity to be involved in further discussions regarding the full impact of localising rates.

Group 8 - Setting of a progressive rate for non-domestic rates (Amendments 24)

We oppose Amendment 24 by Andy Wightman to introduce a progressive rate for non-domestic rates.

We feel that this amendment is at odds with the principles of the Barclay Review and the original intentions behind the Bill. The Barclay Review was asked to explore ideas and options to improve the business rates system in Scotland to better support business growth. As part of this, they considered how the rates system can support long-term growth, investment. SLE is concerned that this proposal would result in an enormous cost for ratepayers and would impede business growth.

Group 9 - Mandatory minimum payment of non-domestic rates (Amendments 25)

We oppose Amendment 25 by Andy Wightman to introduce a mandatory minimum payment.

We feel this amendment goes against the principle of the Small Business Bonus Scheme and do not see a justifiable reason for this. The Small Business Bonus Scheme was put in place to assist small businesses in Scotland who experience a hefty rates bill as a high proportion of their turnover. It is acknowledged by the Scottish Government to be an essential relief for many businesses.

We support the principle of reviewing the Small Business Bonus Scheme, closing loopholes and ensuring those that should be paying rates do so. However, a strong policy rationale for keeping it remains, and therefore we are against the principle that there should be mandatory minimum payment for all ratepayers.

Group 10 - Contribution to net-zero emissions target: rates relief (Amendments 46, 47, 48, 49, 50)

We support Amendments 46, 47, 48, 49, 50 by Sarah Boyack on the contribution to net zero emissions.

We are glad to see the inclusion of contribution to net zero emissions included in the Bill. Local Authorities face significant disincentives in promoting heat networks due to non-domestic rates. We hope these amendments will assist them in promoting zero-carbon investment.

Group 12 - Duty to report on number of assessors and availability of resources (Amendments 56)

We support Amendment 56 by Sarah Boyack on the duty to report on number of assessors and availability of resources.

We feel this amendment assist with improved scrutiny and should help ensure certainty and clarity for those affected by the legislation.

Group 13 - Status of secretary of valuation appeal panel (Amendment 55)

We support Amendment 55 by Kate Forbes on the status of secretary of valuation appeal panel.

We feel this amendment assist with improved scrutiny and should help ensure certainty and clarity for those affected by the legislation.

**Group 14 - Procedure for regulations setting non-domestic rates and rates relief
(Amendment 26, 27, 27A, 57)****We oppose Amendments 26, 27 and 27A by Andy Wightman**

We have concerns that having inconsistency in rates across Scotland could have a negative effect, particularly on rural employment and investment. Our key asks for rates, and the rates system is that they should be clear, accessible and consistent. While we are willing to engage with discussions surrounding localism, we have concerns that the impact of this reform across Scotland is not fully understood.

We support Amendment 57 by Kate Forbes

We are concerned that localising rates setting could place businesses at significant competitive disadvantages. Moving away from universal rates would be a radical reform of the current rates system. If this is to be considered it is imperative that comprehensive impact assessments, consultations and discussions take place to understand the impact on businesses. Therefore, we feel that this Bill is not the correct place to alter the procedure for setting non-domestic rates and rates relief.

**Group 15 - Assessor information notices and penalties (Amendments 19, 63, 64,
20, 65)****We support Amendments 19, 63 and 20 by Graham Simpson**

We agree with the ability of the assessors to issue information notices and associated penalties but feel these must be proportionate and reasonable. We feel these amendments will help to ensure businesses are held accountable but treated fairly.

We oppose Amendments 64 & 65 by Kate Forbes

We feel these amendments are too onerous and could have negative consequences on small or medium-sized businesses.

30/01/2020

For further information, please contact:

Marcelina Hamilton
Policy Adviser (Rural Business & Property)
0131 653 5400

Marcelina.Hamilton@scottishlandandestates.co.uk