

Partial Business and Regulatory Impact Assessment

Postponement of 2015 business rates revaluation to 2017

The Valuation (Postponement of Revaluation) (Scotland) Order 2013.

Purpose and intended effect

Background

The Valuation (Postponement of Revaluation) (Scotland) Order 2013 will, if approved by the Scottish Parliament, postpone the next business rate revaluation year from 2015-16 to 2017-18.

Objective and Rationale for Government intervention

The UK Government has confirmed the next business rates revaluation in England will take place in 2017-18.

The Scottish Government's policy is to ensure that the business poundage rate in Scotland will not rise above the English rate during the lifetime of the 2011-16 Parliament and in order to ensure this, the Scottish Government will also hold the next revaluation in 2017-18. This instrument will result in the next Scottish revaluation coming into effect on 1 April 2017 and will allow the same poundage rate to apply in Scotland as in England for the period up to end March 2017.

Consultation

Within Government

No formal consultation has been undertaken

Public Consultation

No formal consultation has been undertaken

Business

The Scottish Ministers have powers conferred by section 37(3) of the Local Government (Scotland) Act 1975 to vary the year of a revaluation. There is no statutory requirement for consultation, although the Order will be subject to Parliamentary scrutiny and affirmative procedure.

In order to undertake any informed consultation with the business community, businesses would need to have access to an assessment of the impact of a revaluation based on future evidence for both 2015 and 2017 revaluations in order to form a full judgement of which option offered the lowest liability for them.

However, for the reasons outlined below it is not possible to provide any detailed analysis of what may happen to rental markets (and therefore rateable values) for all individual ratepayers for dates several years in the future, nor is it possible for a range of reasons to accurately determine the rate at which the poundage will be set.

Options

There are 2 options available to Scottish Government. Proceed with the 2015 revaluation (in effect do nothing) or postpone 2015 revaluation until 2017

1. Proceed with the 2015 revaluation (in effect do nothing)

Sectors and groups affected

Non – domestic (business) ratepayers in Scotland, although almost 100,000 premises who pay no rates because they receive 100% relief will be largely unaffected, unless their relief entitlement changes.

Benefits and costs

Business rates are a tax on owners or occupiers of business (non-domestic) property. Currently over 218,000 individual premises are liable for business rates, although the majority (over 120,000) of these benefit from the Scottish Government's relief package so pay a reduced or zero bill.

The purpose of the revaluation in itself is to redistribute the tax burden and overall is intended to be cost neutral (the total amount of revenue raised is intended to neither increase or decrease in consequence of a revaluation, although some individual ratepayers may pay more or less at a revaluation). The poundage rate, however, does vary with inflation each year.

So while the impact of a revaluation may overall see property valuations rise or fall a compensating decrease or increase in the poundage rate businesses that would be applied to allow the impact on the revenue raised through business rates to be cost neutral.

It is not possible to provide a full or accurate assessment of the likely impacts of a revaluation in 2015, as to do so would require full revaluation processes to take place. Moreover, as revaluations are based on evidence gathered at a specific future date (the Tone date) any evidence gathered now may not accurately reflect changes which take place between now and the Tone date.

A revaluation in 2015 could also mean that relief thresholds, including those for the SBBS, would have to be reviewed creating further uncertainty for the over 89,000 business properties that currently benefit over their future eligibility and the level of relief that may apply. If rateable values decreased substantially, meaning potentially significantly more became eligible, the thresholds of the current scheme may also have to decrease, in order for SBBS to remain affordable. This could create uncertainty.

2. Postpone 2015 revaluation until 2017

Sectors and groups affected

Non – domestic (business) ratepayers in Scotland, although almost 100,000 premises who pay no rates because they receive 100% relief will be largely unaffected, unless their relief entitlement changes.

Benefits and Costs

Business rates are a tax on owners or occupiers of business (non-domestic) property. Currently over 218,000 individual premises are liable for business rates, although the majority of these benefit from the Scottish Government's relief package so pay a reduced or zero bill.

The purpose of the revaluation in itself is to redistribute the tax burden and overall is intended to be cost neutral (the total amount of revenue raised is not intended to either increase or decrease in consequence of a revaluation, although some individual ratepayers may pay more or less at a revaluation). The poundage rate, however, does vary with inflation each year.

So while the impact of a revaluation may overall see property valuations rise or fall a compensating decrease or increase in the poundage rate businesses that would be applied to allow the impact on the revenue raised through business rates to be cost neutral.

When a revaluation takes place in 2017, the impact on individual ratepayers will be different had a revaluation been conducted in 2015. It is not possible to provide a full or accurate assessment of the likely impacts of a revaluation in 2017, as to do so would require full revaluation processes to take place. Moreover, as revaluations are based on evidence gathered at a specific future date (the Tone date) any evidence gathered now may not accurately reflect changes which take place between now and the Tone date. To present detailed evidence of movements in rateable value at a 2017 Revaluation would be impossible to quantify at this time.

It is estimated that almost half (over 100,000) of all business properties in Scotland currently pay zero business rates, including those who receive 100% relief under the Small Business Bonus Scheme (SBBS), and the postponement of the revaluation date will reduce potential uncertainty between 2015 and 2017. In addition the 20,000 other properties who pay reduced rates would also experience less uncertainty.

Local authorities currently collect business rates and the changing of the date should have no administrative impact on collection.

Scottish Firms Impact Test

Competition Assessment

The UK Government has confirmed the next business rates revaluation in England will take place in 2017-18. The Scottish Government's policy is to ensure that the business poundage rate in Scotland will not rise above the English rate during the lifetime of the 2011-2016 Parliament and in order to achieve this, the Scottish Government will also hold the next revaluation in 2017-18. This instrument will result in the next Scottish revaluation coming into effect on 1 April 2017 and will allow the same poundage rate to apply in Scotland as in England for the period up to end March 2017.

If Scotland undertook a revaluation in 2015, to ensure it was cost neutral it would be uncertain whether the same poundage could be maintained. This would break the Government's commitment given at the 2011 election.

Although for reasons outlined in this BRIA it is not possible to give exact indications of the impact on all areas and sectors. However If, on a Scotland wide basis, it were broadly assumed that a 2015 revaluation in Scotland would have similar effects to those stated as a best estimate by the Valuation Office Agency in England, because revaluations are revenue neutral the poundage rate would have to rise by approximately 20 percent to around 56.9 pence in the pound in 2015. The setting of a higher poundage rate in Scotland would mean every ratepayer in Scotland was paying a rate significantly higher to those in England, creating an overall competitive disadvantage.

The Scottish Government is of the view that for Scotland as a whole this would be damaging. The period between now and 2017 will be used to conduct a thorough and comprehensive review of the rating system and the consultation paper "Supporting Business- Promoting Growth" was published on 27 November to initiate that process.

The cost of postponing the revaluation is neutral overall and ensures that overall Scottish ratepayers will not be placed at a competitive disadvantage.

Test run of business forms

Not applicable. No new forms are required.

Legal Aid Impact Test

Not applicable

Enforcement, sanctions and monitoring

Scottish Government already regularly monitors and collates information on the

rating system from both the Scottish Assessors and billing authorities (Councils).

No additional monitoring is necessary to ensure effective billing and collection due to the change in revaluation date.

Implementation and delivery plan

Billing authorities have been made aware of the change in revaluation date via Finance Circular (LG Finance Circular 5/2012 dated 27 November). Assessors and key stakeholders (including business organisations, rating agents and professional bodies) have also been advised.

The Scottish Government will continue to raise awareness among stakeholders, where appropriate this will be in conjunction with Assessors, Councils, business organisations and other relevant bodies.

Post-implementation review

It will not possible to retrospectively estimate what rateable values may have been had if revaluation taken place in 2015 had Assessors collated evidence at that time

Summary and recommendation

The cost of postponing the revaluation is neutral overall and ensures that overall Scottish ratepayers will not be placed at a competitive disadvantage.

Summary costs and benefits table

For the reasons outlined in this BRIA it is not possible to forecast costs and benefits of revaluations taking place at future dates.

Declaration and publication

Include the relevant Ministerial declaration*

Signed:

Date:

Minister's name, title etc*

Scottish Government Contact point:

*Delete as appropriate/once completed