

EXECUTIVE NOTE

THE VALUATION FOR RATING (PLANT AND MACHINERY) (SCOTLAND) AMENDMENT REGULATIONS 2008 SSI/2008/360

The above instrument is made in exercise of the powers conferred by section 42 of the Lands Valuation (Scotland) Act 1854 and of all other powers. The instrument is subject to the negative resolution procedure.

Background

The installation of micro-generation measures should in principle trigger a reassessment of a property's value for rating purposes. A reassessment that increases a property's rateable value will in most cases lead to a higher non-domestic rates bill. The proposed measure aims to remove any perceived disincentive that this provides to businesses considering the installation of micro-generation measures.

For the purpose of this instrument, the definition of micro-generation equipment is based on the established definition in the Climate Change and Sustainable Energy Act 2006.

Policy Objective

The purpose of the amendment regulation is to provide that plant and machinery which has micro-generation capacity (as defined in the Climate Change and Sustainable Energy Act 2006) installed in a non-domestic property is excluded from valuation for rating purposes on a permanent basis. The Scottish Government is committed to reducing carbon emissions, and the promotion of micro-generation equipment is one of a number of measures aimed at tackling this issue.

The Scottish Government currently provides a dedicated advice service to small businesses through Energy Saving Scotland – small business advice service to help Scottish SMEs improve their energy efficiency and consider installing micro-generation technologies. In addition to advice, this support service also offers interest-free loans for the capital investment in energy efficiency measures, and from autumn 2009 for micro-generation technologies. For larger businesses, the Carbon Trust in Scotland offers advice on how companies can reduce their harmful carbon emission through low carbon solutions. This includes support on generating their own energy through possible micro-generation options. By excluding micro-generation equipment from valuation for rating purposes, these technologies could be a more attractive investment for business.

Consultation

Although there is no statutory obligation to consult on this amendment regulation, a consultation took place from 5 August to 16 September 2008. Of the 157 consultees invited to comment, nine substantive responses were received, all of which were broadly supportive of the proposed change.

Financial Effect

The effect of installing micro-generation measures on the total rateable value of a business property can be difficult to gauge. We are, however, advised by the Scottish Assessors that the installation of micro-generation equipment will in general have a negligible effect on the rateable value of a business property. The overall amount of rates income which may be foregone as a result of this measure is therefore also likely to be negligible.

Jim Gilmour

Local Government Division

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