
EXPLANATORY NOTE

(This note is not part of the Regulations)

Under Part III of Schedule 12 to the Local Government Finance Act 1992, Scottish local authorities are required to pay amounts (called non-domestic rating contributions) to the Scottish Ministers. Payments in respect of a provisional amount of the contribution are made during the financial year, final calculations and payments being made after the year ends. These Regulations amend, from financial year 2011/12 onwards, the rules for the calculation of payments contained in the Non-Domestic Rating Contributions (Scotland) Regulations 1996 (“the 1996 Regulations”).

The amendments to the rules are in consequence of the introduction by the Scottish Ministers of a Tax Incremental Financing Administration Pilot Scheme which allows an authority, where a project is approved under the scheme, to retain an agreed amount of growth in non-domestic rates for an area and to use that income stream to fund investment in the area concerned. That Scheme is available on the Scottish Government website at <http://www.scotland.gov.uk/Topics/Government/Finance/18232>.

Regulation 2(2) inserts a new paragraph 8B in Schedule 1 to the 1996 Regulations to allow the authority to retain additional revenue that they collect in a financial year. Additional revenue is revenue discounting the non-domestic rate income that would be expected to have arisen without the investment in the area, to ensure that the amount retained by the authority represents additional income that has flowed from the investment.

In any year where a project does not generate additional revenue, the authority will retain nothing. Where the authority have repaid all borrowing in respect of the TIF project before the end of the project period, the amount they retain will be reduced by 50% for the remainder of that period.

The calculation of the amount retained by the authority is determined by two figures A “collectable amount” is set, based in the revenue payable for the area of a project at its outset. Each year that figure will be adjusted to reflect growth in revenue that has resulted from material changes unconnected with the project, such as changes in the non-domestic rate poundage and quinquennial revaluation. That amount will be deducted from the “collected amount”, being revenue paid to the authority for the area of the project. However, the “collected amount” will also be adjusted, to take account of “displacement”, being growth in revenue that is attributable to the movement of existing revenue-generating activity into the area.