POLICY NOTE

THE NON-DOMESTIC RATING (UNOCCUPIED PROPERTY) (SCOTLAND) AMENDMENT REGULATIONS 2016

SSI 2016/124

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 continue two incentives, the first of which 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 2016 and is aimed at incentivising occupation of empty premises and supporting diversification of high streets and development of new properties.

The instrument changes the rate liability for the initial three-month empty period for unoccupied non-industrial premises. The liability will alter to 50% of the liability that would have arisen if the premises were occupied (the rate up to 31 March 2016 being 0%). This means that 50% relief will apply for the first three months and thereafter 10% relief will apply.

The instrument also changes the rate liability after a six-month period of exemption for unoccupied industrial premises. The liability will alter to 90% of the liability that would have arisen if the premises were occupied. This means that no rates will be liable for the first six months and thereafter 10% relief will apply.

For unoccupied non-industrial property that has been in receipt of unoccupied relief for a period of three months or more as at 1 April 2016, and for unoccupied industrial property that has been in receipt of unoccupied relief for a period of six months or more as at 1 April 2016, the level of unoccupied relief will change to 10% from 1 April 2016.

In addition two incentives are continued by this instrument.

The first (referred to as Fresh Start) 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 £65,000 and was last previously occupied as a shop, office, restaurant, pub or hotel (or where there has not been previous use, the use is as a shop, office, restaurant, pub or hotel). 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 subject to State aid de minimis (200,000 euros over a rolling three-year period from all public support).

The second (referred to as New Start) applies where a new property is first entered in the valuation roll on or after 1 April 2016 and is unoccupied on the date of that entry: the ratepayer can apply for 100% rate relief for up to 15 months while it is unoccupied (subject to State aid de minimis). (After the 15-month period has been exhausted, an unoccupied property would be liable for the rates that would have arisen had it been previously occupied during that period). The relief will be available for properties entered on the valuation roll up to 31 March 2017. The relief need not apply to a continuous period, and can apply if the property is unoccupied on or before 31 March 2019.

Consultation

There is no statutory requirement to formally consult on these Regulations. Related proposals were announced as part of the 2016-17 Draft Budget which is a consultative process.

Business and Regulatory Impact Assessment

No Business Regulatory Impact Assessment has been carried out.

Financial Implications

The reduction of empty property rate relief will save an estimated £53 million in 2016-17. The costs of continuing the Fresh Start and New Start incentives will be absorbed from within existing non domestic rate income estimates.

Local Government Division

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