POLICY NOTE

THE NON-DOMESTIC RATES (NEW AND IMPROVED PROPERTIES) (SCOTLAND) REGULATIONS 2018

SSI 2018/75

The above instrument is made in exercise of the powers conferred on the Scottish Ministers by section 153 of the Local Government etc. (Scotland) Act 1994 and all other enabling powers. The instrument is subject to negative procedure. It comes into force on 1 April 2018 and applies for the financial year 2018-19.

Purpose of the Instrument

The purpose of this instrument is twofold.

First, regulation 3 applies 100% rates relief for certain new-build properties. For 2018-19 this fulfils our policy for no rates increases in respect of new-builds until a year after first occupation (including any period prior to first occupation).

Second, regulations 4 and 5 ensure that no increase in rates is payable for a year in respect of certain property improvements.

In the latter case, where transitional relief also applies (under a separate instrument, the Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2017), regulation 4 calculates the transitional limit, to avoid increases to it in respect of certain property improvements that would otherwise have applied.

Where transitional relief does not apply, regulation 4 calculates the amount payable as rates as if the rateable value were lower by a prescribed amount than that shown in the valuation roll – the prescribed amount being the total of rateable value increases in respect of the property improvements in question within the previous 12 months. In the scenario that this prescribed amount exceeds the rateable value, then the amount payable as rates is zero.

Regulation 5 provides additional relief to that in regulation 4 in the case where eligibility for certain other relief (with a rateable value threshold) is foregone due to rateable value increases made within the previous year in respect of the property improvements.

Regulation 6 requires an application to the local authority for relief under this instrument.

Background

These measures form part of our response to the Barclay review, and provide a greater investment and development incentive than the ‘growth accelerator’ recommended by Barclay. The measures are unique in the UK.

Separate legislation will be laid in due course to continue relief beyond 2018-19. From that time, the 100% relief for certain new-build properties (referred to in this instrument as ‘relevant new entry lands and heritages’) will be applicable until a point 12 months after first occupation related to any buildings forming part of the property. However this condition is not required for the initial year of this new policy, i.e. 2018-19, as the relief for such properties cannot end before the end of that year.

Policy objective

The Scottish Government is committed to fair and sustainable non-domestic rates, in line with Scotland being the best place in the UK to do business. These new measures will incentivise investment and development and thereby help enable growth.

Consultation

There is no statutory requirement to formally consult on these Regulations. The Barclay recommendations and Scottish Government response were each informed by wide engagement with business.

Business and Regulatory Impact Assessment

No Business and Regulatory Impact Assessment has been carried out.

Financial Implications

The net decrease in the amount of non-domestic rates payable is estimated by the Scottish Fiscal Commission at £1.4 million for exempting certain new-builds from rates until first occupied and £42 million for the 'growth accelerator', which is in line with the policy objective as outlined above. This relief is not subject to State aid *de minimis*.

Local Government & Analytical Services Division, Scottish Government
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