POLICY NOTE

THE VALUATION (POSTPONEMENT OF REVALUATION) (CORONAVIRUS) (SCOTLAND) ORDER 2020

SSI 2020/XXX

The following Order will be made in exercise of the powers conferred by sections 13(1) and 42(2) of the Valuation and Rating (Scotland) Act 1956; by sections 35(2), 35(3) and 37(3) of the Local Government (Scotland) Act 1975, and by all other powers enabling them to do so. This instrument is subject to affirmative procedure, by virtue of section 33(2) of the Interpretation and Legislative Reform (Scotland) Act 2010.

The purpose of these Regulations is to postpone the next non-domestic rates revaluation to the financial year 2023-24, and to move to a tone date of one year prior to the revaluation.

Purpose of instrument

The purpose of this instrument is two-fold. The first purpose is intended to exercise the powers conferred by sections 35(2), 35(3) and 37(3) of the Local Government (Scotland) Act 1975, and all other enabling powers, to postpone the next non-domestic rates revaluation to the financial year 2023-24.

The second purpose is intended to exercise the powers conferred by sections 13(1) and 42(2) of the the Valuation and Rating (Scotland) Act 1956, and all other enabling powers, to change the tone date (which is the market reference date on which all rateable values are revalued periodically), from 1 April falling **two years before** the start of the revaluation year, to 1 April falling **one year before** the start of the revaluation year.

Policy Objective

Non-domestic rates are a property tax based on the "rateable value" of a non-domestic property. The rateable values of properties are assessed by the local independent Scottish Assessor and are entered on the valuation roll. They are all periodically reviewed at revaluation to ensure that they reflect updated market values. Revaluations are intended to redistribute the tax base and are not intended as revenue-raising exercises.

The process by which revaluations take place requires assessors to seek new evidence on annual rent or proxies of rent from all non-domestic properties across the country, which inform the valuations. The reason why this takes place at a fixed date is so that all the evidence upon which rateable values are based is from the same point in time. This ensures consistency and fairness across ratepayers.

The Scottish Government announced in its Programme for Government 2020, published on 1 September 2020, that it would make legislation to delay the non-domestic rates revaluation to 2023, with a one-year tone date (1 April 2022). The decision to delay the revaluation and move to a one-year tone date is to allow for market conditions to adjust to any post-Covid-19 or Brexit effects, thereby reducing any shocks and providing stability and certainty on rates bills in the recovery period to businesses and other non-domestic properties. An earlier tone date than 1 April 2022 could lead to a lack of certainty for business and create significant risks to public finances and therefore public services.

Without the intervention of this instrument, the tone date for the next revaluation would fall on 1 April 2020, just three weeks after the World Health Organisation declared Covid-19 to be a global pandemic and during a period when many businesses had temporarily stopped trading. Based on data at this date, it may not be possible to determine a sufficiently robust level of value upon which to base rateable values for the next revaluation.

The non-domestic property market will likely continue to be impacted into 2021-22 due to Covid-19 and likely EU Exit. On this basis, a 1 April 2021 tone date is considered similarly unreliable to 1 April 2020 as it would lead to a lack of certainty to businesses and introduce significant risks to public finances and therefore public services.

A tone date of 1 April 2022 will ensure that the economy and commercial property market has had more time to stabilise, making this the first suitable date at which to set the tone date.

Previous revaluations have had tone dates of two years prior to the revaluation date. The independent Barclay Review of non-domestic rates recommended a move to a one-year tone date. The Scottish Government accepted this, and originally planned for this to happen from the revaluation then scheduled in 2025. This will however now be brought forward two years to the 2023 revaluation, and will apply to all revaluations after that year (which will be every three years).

Reducing the time between the tone date and the implementation date of revaluation should ensure that rateable values more accurately reflect true market values.

Consultation

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 formal consultation required.However, the draft Order is subject to Parliamentary scrutiny, and affirmative procedure.

The Scottish Ministers have powers conferred by section 13(4) of the the Valuation and Rating (Scotland) Act 1956, and there is no formal consultation required. While the exercising of these powers is not required to be subject to an affirmative procedure, the full instrument will be affirmative because part of the instrument is required to be subject to Parliamentary scrutiny.

Impact Assessments

It is not possible to provide a full impact assessment of the likely impacts of a revaluation, as to do so would require a revaluation to take place. A partial Business and Regulatory Impact Assessment has been conducted.

Financial Implications

This instrument has no additional financial effects on the Scottish Government, local government or business in aggregate as revaluations are intended to resdistribute the tax base and not as revenue-raising exercises.

Financial Effects

This instrument has no direct financial implications.

Scottish Government
Local Government and Communities Directorate
October 2020