

POLICY NOTE

THE NON-DOMESTIC RATES (LEVYING AND MISCELLANEOUS AMENDMENT) (SCOTLAND) REGULATIONS 2023

SSI 2023/30

The above instrument was made in exercise of the powers conferred by section 153 of the Local Government etc. (Scotland) Act 1994 and all other powers enabling them to do so. The instrument is subject to the negative procedure.

The Regulations provide for a number of non-domestic rates policies:

- Provision in 2023-24 for reductions in non-domestic rates as a result of the Small Business Bonus Scheme and poundage supplements, the combined Basic Property Rate (i.e. poundage) and supplements which, combined with the poundage, give the Intermediate Property Rate and Higher Property Rate, on non-domestic properties with a rateable value in excess of £51,000 and £100,000 respectively.
- Provision for Fresh Start relief from 1 April 2023 for properties that have been unoccupied for 6 months or more before becoming re-occupied, and where the rateable value does not exceed £100,000.
- Provision for Fresh Start Relief awarded in respect of 2022-23, and where the period of relief continues in full into 2023-24, regardless of the rateable value following revaluation.
- An amendment to The Non-Domestic Rates (Enterprise Areas) (Scotland) Regulations 2016 to extend Enterprise Areas relief by one year until 31 March 2024.
- An amendment to The Non-Domestic Rates (Telecommunication Installations) (Scotland) Regulations 2016 to reflect mast location changes to the previously published grid references, and incorporate grid references of additional eligible new mast locations.
- An amendment to the Non-Domestic Rates (Day Nursery Relief) (Scotland) Regulations 2018 to remove the end date of the relief.
- An amendment to the Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2022 to account for the effect of revaluation and to clarify that this relief under these regulations is not available to properties that have been awarded transitional relief available for properties in parks.

Policy Objectives

Poundage Supplements (Property Rates)

This instrument provides for a poundage supplement of 1.3p in the pound for all non-domestic properties with a rateable value of between £51,001 and £100,000 (supplement + poundage = Intermediate Property Rate); and a poundage supplement of 2.6p in the pound for all non-domestic properties with a rateable value exceeding £100,000 (supplement + poundage = Higher Property Rate) on any day in the financial year 2023-24.

Small Business Bonus Scheme

The Small Business Bonus Scheme provides relief (bill discounts) to non-domestic properties (advertisements, car parks, betting shops and payday lending are excluded) in Scotland, the cumulative rateable value (i.e. the rateable value of the total number of premises that a person is liable to pay rates for) of which is £35,000 or less on any day in the financial year 2023-24. Subject to this, the Scheme offers 100% relief to individual properties with a cumulative rateable value of £12,000 or less, regardless of whether the ratepayer is liable to pay rates in respect of only one entry, or multiple entries, in the valuation roll.

For ratepayers liable to pay rates in respect of only one entry in the valuation roll, relief tapers from 100% to 25% for individual properties with rateable values from £12,001 to £15,000; and tapers from 25% to 0% for properties with rateable values from £15,001 to £20,000.

Where a ratepayer is instead liable to pay rates for multiple entries in the valuation roll and where the cumulative rateable value is between £12,001 and £35,000, then relief of 25% is available on each individual property with a rateable value of £15,000 or less and relief tapers from 25% to 0% for individual properties with rateable values between £15,001 and £20,000.

The Scheme provides the following reliefs from 1 April 2023 for non-domestic properties where the ratepayer is liable for rates for only one entry in the valuation roll:

<i>Column 1 Rateable value range (single entry in valuation roll)</i>	<i>Column 2 Percentage of rate relief</i>
£12,000 or less	100%
£12,001 to £15,000	Relief percentage = $100 - (75 \times (1 - \frac{(15000 - RV)}{3000}))$
£15,001 to £20,000	Relief percentage = $25 \times (\frac{(20000 - RV)}{5000})$

The Scheme provides the following reliefs from 1 April 2023 for non-domestic properties where the ratepayer is liable for rates for multiple entries in the valuation roll:

<i>Column 1 Cumulative rateable value range (multiple entries in valuation roll)</i>	<i>Column 2 Percentage of rate relief</i>
£12,000 or less	100%
£12,001 to £35,000	25% on each individual property with a rateable value of £15,000 or less For individual properties with rateable value £15,001 to £20,000, relief percentage = $25 \times (\frac{(20000 - RV)}{5000})$

No relief is available for individual properties where the cumulative rateable value is over £35,000.

Unoccupied properties are not eligible for Small Business Bonus Scheme relief.

Fresh Start relief

Fresh Start relief was introduced on 1 April 2016 and initially offered up to 12 months 50% relief on re-occupation to shops, offices, restaurants, pubs or hotels with a rateable value of up to £65,000, and that had been empty for over 12 months before becoming occupied again. This has since been expanded as part of the Scottish Government's response to the Barclay Review of Non-Domestic Rates and offers 12 months 100% relief to all properties (with the exception of payday lending) where the property became reoccupied after 6 months of being vacant and the rateable value does not exceed £95,000.

These regulations provide for Fresh Start relief from 1 April 2023, following the revocation of the previous primary legislation that the relief was delivered through.

The Scottish Government is committed to supporting the recovery of the Scottish economy in the post-Covid-19 period. These regulations expand the relief by increasing the rateable value threshold to which a property may be eligible from £95,000 to £100,000 from 1 April 2023.

The regulations also ensure that relief continues to be available in full for properties that were awarded Fresh Start relief in respect of 2022-23 and where relief continues in 2023-24 for the period remaining on the relief award, regardless of the new rateable value of the property following revaluation.

Enterprise Areas relief

The Scottish Government is committed to supporting inclusive growth throughout the Scottish economy. Four themed Enterprise Areas, which span 16 different sites and complement wider support as a part of the Scottish Government's inclusive growth agenda, aim to support the development of key sectors (Life Sciences, Low Carbon Industries, Manufacturing and Food and Drink) and creation of high quality jobs.

These regulations will continue provision of non-domestic rates relief until 31 March 2024 in these Enterprise Areas to incentivise businesses operating in a number of key economic sectors to locate on strategic geographic sites thereby encouraging the growth of those sectors and of the Scottish economy as a whole. Without these regulations, the relief would end on 31 March 2023.

Further information may be found at: Enterprise Areas - Supporting business.

Telecommunications Mobile Masts relief

These regulations include a routine update to Telecommunications Mobile Masts relief to reflect mast location changes to the previously published grid references, and incorporate grid references of additional eligible new mast locations.

Relief for new mobile telecommunications masts in specified locations is aimed at incentivising mobile operators to build masts and/or improve the viability of mobile operators' business case to provide mobile services in those areas.

Achieving improved mobile coverage in Scotland is a key objective set out in the Scottish Government's *Mobile connectivity: action plan* (2016)¹. It is referenced in the Scottish Government's Digital Strategy: *'A Changing Nation: How Scotland will Thrive in a Digital World'* (2021)² and the Scottish Government's *'A Fairer, Greener Scotland: Programme for Government 2021-22'* (2021)³. The non-domestic rates relief is part of the Scottish Government's commitment to working in collaboration with the mobile industry to set the right conditions to incentivise infrastructure investment in non-commercial areas (so-called "notspots"). The Scottish Government's expectation is that new mobile masts built in the eligible areas will provide 4G mobile services to notspots in (and potentially around) the eligible areas.

Day Nursery Relief

These regulations will continue provision of 100% non-domestic rates relief for properties wholly or mainly used as day nurseries (within the meaning of section 135 of the Education (Scotland) Act 1980) which also provide day care of children (as defined in paragraph 13 of schedule 12 of the Public Services Reform (Scotland) Act 2010) beyond 30 June 2023.

Day Nursery relief was introduced in 1 April 2018 following the Barclay Review's recommendation that the Scottish Government should introduce a new relief for day nurseries to help ensure the workforce is supported by convenient, affordable and accessible childcare. The Scottish Government accepted this recommendation in 2017.

Business Growth Accelerator Relief

The regulations continue provision of Business Growth Accelerator relief. They also provide for continuation of improvement relief awarded in respect of 2022-23, where the period of relief continues into 2023-24. Improvement relief awarded in 2022-23 under regulation 10 of the Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2022 and

¹ <https://www.gov.scot/publications/mobile-action-plan/>

² <https://www.gov.scot/publications/a-changing-nation-how-scotland-will-thrive-in-a-digital-world/documents/>

³ <https://www.gov.scot/publications/fairer-greener-scotland-programme-government-2021-22/documents/>

continuing into 2023-24 will be awarded at the same percentage of relief as applies at 31 March 2023, but on the basis of the rateable value following the revaluation taking effect on 1 April 2023.

The regulations clarify that Business Growth Accelerator relief is not available for properties eligible for the transitional relief for properties added to the roll on 1 April 2023 as a result of section 19 of the Local Government (Financial Provisions) (Scotland) Act 1963.

Consultation

There is no statutory requirement to formally consult on these Regulations.

The Barclay Review of Non-Domestic Rates recommended that an evaluation of Day Nursery Relief be carried out. This was completed by the Scottish Government during 2022. This evaluation included obtaining the views of private and third sector childcare providers, to obtain their views on the impact of the relief. The Nursery Rates Relief: Evaluation report can be found on the Scottish Government's website. The removal of the end date of the relief was announced on 6 October 2022 and this announcement can be accessed on the Scottish Government's website.

Changes to the Small Business Bonus Scheme, Intermediate/Higher Property rateable value thresholds, Fresh Start, Business Growth Accelerator relief and the extension of Enterprise Areas relief were set out in the Scottish Budget 2023-24.

Impact Assessments

No Business and Regulatory Impact Assessment has been carried out.

Financial Effects

The decrease in the amount of non-domestic rates payable is in line with the policy objectives as outlined above.

The Scottish Fiscal Commission's Scotland's Economic and Fiscal Forecasts published on 15 December 2022 forecasted that the reliefs set out in these regulations would cost the following in 2023-24:

- Small Business Bonus Scheme relief – £306 million
- Fresh Start relief – £5 million
- Enterprise Areas relief – £1 million
- Mobile Masts relief – less than £1 million
- Day Nursery relief – £10 million
- Business Growth Accelerator relief - £17 million

Scottish Government
Local Government and Housing Directorate

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