Scottish Land & Estates
Landowners Working for the Countryside

Consultation Response

Barclay Review of Business Rates

Scottish Land & Estates is a membership organisation representing landowners, land managers and rural businesses across Scotland. The majority of these are small to medium sized family businesses. We welcome the opportunity to respond to the Barclay Review of Business Rates.

How would you re-design the business rates system to better support businesses and incentivise investment?

Summary

- **A competitive rates regime, comparable with the rest of the United Kingdom**
- **Regular revaluations at 5 yearly intervals with no slippage in timescale**
- **The ability to address material changes in circumstance within the 5 years period**
- **Adequate resourcing of Assessors and suitably qualified staff**
- **Targeted reliefs**
- **Consistency in application and efficiency in process**

Underlying principles

Scottish Land & Estates believes that the current system is broadly accepted and would like the system to continue to remain a property tax following reform. Business rates should also be viewed in a wider context, which focuses upon the broader 'revenue pot'.

Scottish Land & Estates considers that the focus requires to be on ensuring business rates are transparent, equitable and predictable as businesses require to know the probable impact of their investment decisions. It is also important that we have a business tax regime in Scotland which at the very least does not put Scotland at a competitive disadvantage in relation to the rest of the United Kingdom and which does not dis-incentivise investment. Essentially the system should be framed so that it meets with the principles which the Scottish Government has expounded as underpinning its taxation policy. That is proportionate to the ability to pay, providing certainty to the taxpayer and convenience in terms of payment and efficiency. Business confidence is vital and 'certainty' helps to provide this, ensuring investment and productivity.

Publishing rateable values, reliefs and thresholds well in advance of their effective implementation would be of assistance. Also, there should not be tactical forays on specific sectors. In terms of transparency the Scottish Assessors' Association portal could also be extended to include further procedural detail, including hearing and citation dates and notices. The costs of extending the portal to encompass more information may be offset or neutralised by other measures such as having one Assessor.

Scottish Land & Estates welcomes firm sanctions against businesses which illegally evade payment of Business Rates and care should be taken to ensure that any new system is designed to eradicate, or at the very least minimise loopholes.

Generally, there needs to be regular continued dialogue with central and local government and stakeholders as the system has to be accountable.

Staffing

Assessors are well respected professionals and going forward any assessment personnel should be suitably qualified and experienced and understand the business rates provisions, including any reliefs and appeal mechanism. Any guidance which is issued, ought to relate to policy matters, as opposed to individual businesses, again providing 'certainty'. Any additional training costs would we suspect be absorbed by savings through a more efficient system. Members on appeals panels should require to undergo continuous training to ensure consistency of outcomes across the panel and Scotland as a whole.

The Assessors themselves should continue to operate independently of Scottish Government, but there may benefit in streamlining their operation. We see some merit in considering whether there would be a benefit in streamlining the number of Assessors' but are not convinced that there would be a beneficial cost-saving in having a single Assessor for Scotland. The way in which the Scottish Assessors' Association operates could also be considered in terms of whether it could make binding decisions, to ensure that rather than simply being a body which meets and shares information, one approach can be decided upon and the methodology applied consistently across Scotland as practice notes are meant to encourage.

The Assessors need to be given adequate time to work up changes - both significant changes which may result from this review and smaller policy changes (such as dropping the renewables relief or shootings and deer forest exemption). It is not a simple task to identify and value the subjects. Recruitment and training may need to take place to meet the increased demand on resource. If the assessors are not given sufficient time or resources to deliver a suddenly increased workload this leads to more disputes and a lack of consistency across the country.

Revaluations

Business rates reviews require to be regular to redistribute the tax base in accordance with changes in market value and to ensure buy-in by the taxpayers and that the entire system does not fall into disrepute. The latest revaluation has been after a seven years period, formerly this was five years. Scottish Land & Estates believes that a five years period for revaluation would be more appropriate, with a clear cycle going ahead, which would assist in de-politicising the issue. This would eliminate or at least limit the need for detailed transitional relief schemes and also reduce the number of valuation changes and consequently reduce the number of appeals. Again, if there were not "shock hikes", businesses would have an increased degree of certainty which would positively impact upon their decisions. While we accept that revaluations tend to have "winners" and "losers", deferring revaluation simply extends the time period over which this is the case and going ahead there should be no slippage at all in the timescale going ahead regardless of period of revaluation agreed. Had there been regular revaluations to date we might have supported the call of others for revaluations at three years, but we feel that in the current circumstances five years is more appropriate. That said, there may require to be some flexibility to address material changes in circumstance, for example in a rural town/village context, where a large superstore or chain-stores open up on the edge of the location with car parking, but rates remain the same for the High Street stores, despite the change in the centre of gravity and spend potentially moving to the new development to the detriment of rural "High Streets". The same could also be said, after the introduction of large infrastructure projects, like railways, which may lead customers and clients from rural areas to cities, reducing the pool of the rural economy.

Appeals

The experience of our members is that the appeals system can be costly, thereby negating part of the savings derived from successful appeals. However, the greater the certainty, through the measures referred to above, then this should reduce the number of appeals coming forward and ideally reduce both time and cost. Taxpayers should always have the ability to challenge their rateable value where they feel justified in doing so and there ought to be full disclosure of the valuation methodology used by the Assessor in the interests of transparency. We also believe that where an appeal is brought without reasonable or probable cause, we think that a committee should have the power to award expenses and this would hopefully reduce vexatious or unmeritorious cases.

Refunds

The return of overpayments should be an efficient and accelerated process. This is linked with the reference above to both underlying principles and staffing. More generally, the billing and collection systems should be digitalised and on-line access increased. All billing should take place within two years.

Exemptions and reliefs

The availability of business rates relief has a significant and direct impact on the affordability and value of any property and has a strong influence on the prosperity of businesses. We would wish to see the continuation of the Small Business Bonus Relief. In addition, reliefs should be targeted to situations, such as the provision of essential services in rural Scotland. Local Authorities need to make more of their ability to offer local reliefs to address local issues.

Scottish Land & Estates would welcome the continued exemption of of agricultural, forestry and fishing subjects.

In the 'Notes to Editors' section of a Scottish Government press release of 23rd May 2014 (*http://news.scotland.gov.uk/News/Land-Reform-Review-Group-cc5.aspx*), it was stated that, "*The Scottish Government recently completed a review on business rates. This Government is committed to maintaining the most competitive business tax environment anywhere in the UK through our business rates policies and we can confirm there are no plans to make changes to the position of agricultural business rates relief*". We welcome this statement of intent and agree that this should remain the case in any new system. It is important to get the rating system right for those already liable, rather than widening its scope. We also note that game farms are not within the exemption provisions for agricultural premises as game birds are not defined as livestock and are therefore liable to business rates and shooting grounds may not qualify for exemption dependent upon the circumstances.

The reintroduction of rates on shooting and deer forests in the Land Reform (Scotland) Act 2016 was not in our opinion well thought out and is already resulting in implementation challenges. A full explanation of the issues can be found here in our written evidence to the Land Reform (Scotland) Bill. Identifying all the subjects which should be included on the roll is proving difficult as almost all land has a sporting right attached to it. Finding a suitable valuation methodology is going to be problematic.. There is very little comparable data of sporting leases and these are rarely straightforward so a number of adjustments will have to be made. The concern is that the Assessors will be forced into a position of trying to attribute a value to a right but that value will be far from realistic due to lack of reliable methodologies and comparables that can be used.

Scottish Land & Estates would also welcome the reintroduction of a relief for smaller renewable energy schemes. Many of our members are engaged in, and have invested heavily in, the sector. The Scottish Government has set challenging targets which the industry has responded to. It came as a disappointment when renewable energy relief was removed for all but community renewable energy schemes. While the renewable subsidy regime is not within Scottish hands, the rate reliefs are and our members felt the supportive words from the Scottish Government were somewhat diluted by its decision on rates. Smaller renewable energy schemes tend to be delivered by farmers and smaller land based businesses rather than large international developers. Many of them, particularly as the funding support has reduced, are struggling to justify the schemes.

A relief for public benefit facilities which raise no revenue should also be considered. Often individuals and communities are keen to develop something that is greatly needed in the area but the attached rates bill cannot be sustained. One member, for example, has developed toilets and a campsite at a site where wild camping was previously causing a problem. As the site is in the Loch Lomond and Trossachs National Park the design specification was high. This resulted in a high rateable value which was only just below the Small Business Bonus Threshold. However, the member cannot now justify developing the site further as it would not economically be viable due to the rates bill.

Empty Properties

As with empty residential properties, empty non-domestic properties can cause an eyesore, be potentially environmentally harmful, lead to anti-social behaviour issues and are an underuse of a resource. We support the initial rates relief of 100% as often properties are merely empty due to a change-over of occupants. However, we would support longer term empty properties being subject to a higher rates bill rather than the current 10% discount. However, alongside an increased rates burden there is a need to provide incentives and support to get the property back into use. These are often needed for owner to be in a position to rent, sell or use the property and for a new occupier to develop their business. Fresh Start and New Start reliefs go some way to help the empty property issue but more support is required. If the property is not suitable for modern purposes due to location, built quality etc. then losing it is not necessarily a bad thing as long as the site is then appropriately utilised if there is demand in the area. In the residential sector the Empty Homes Partnership encourages councils to take on Empty Homes Officers. This is a model which could be beneficial in the non-domestic sector.

We often hear at stakeholder and community meetings that rural areas are suffering from inflated house prices due to the popularity of the area for second and holiday homes. We understand that residential properties available for let for more than 140 nights become taxable under non-domestic rates rather than council tax. As many of these properties are the only non-domestic property or one of a few that the owners hold they qualify for the small business bonus and therefore are relieved from their rates bill. Scottish Land & Estates recommends that the taxation of holiday homes is considered in this review. A balance must be struck between supporting small tourism accommodation businesses which can be vitally important particularly in rural areas, and tackling the impact of holiday homes dominating fragile rural communities. Any approach would have to be geographically targeted rather than a blanket approach.

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