

Summary

Scottish Land & Estates (SLE) welcomes the Non-Domestic Rates (Scotland) Bill and the constructive effort being made to deliver a Non-Domestic Rates system designed to support business growth and long-term investment and better reflect changing marketplaces.

SLE supports the Bill's objective to improve ratepayers' experience of the rating system and administration of the system. It is right for the Bill to be ambitious in proposing measures which will increase fairness and ensure a level playing field amongst ratepayers by reforming rate reliefs and tackling avoidance measures.

This Bill is founded on the recommendations of the Barclay Review Group and therefore, is focused on the questions the group was asked to consider. SLE broadly welcomes the changes to Non-Domestic Rates regulations as set out in the Bill, but we are concerned that some of the amendments are attempting to take the Bill beyond the scope of the original review and that these proposals will have unintended consequences.

This briefing builds on the evidence we submitted to the committee and our previous briefing published before Stage 1.

We recommend members of the Committee vote on the following amendments, listed in the order they will be debated, as follows:

Oppose Amendments 1, 5, 84 on *Liability of owners for rates*

Oppose Amendment 6 on *Valuation roll: basis of valuation*

Oppose Amendments 7 & 8 on *Lands and heritages to be entered in valuation roll*

Support Amendments 86, 87, 97, 65, 98, 99, 68, 100, 71, 72 on *Ancillary powers*

Oppose Amendments 9, 10, 11, 12 on *Levying of rates: national or regional rate*

Oppose Amendment 14 on *Levying rates: progressive rate*

Support Amendment 13 on *Limitation on the power to prescribe a supplemental rate in relation to certain land and heritages*

Support Amendment 39 & 88 on *Duty to report on the valuation process*

Oppose Amendment 3 on *Mandatory minimum payment*

Support Amendment 89 on *New or Improved properties (rates relief) guidance*

Support Amendments 90, 91, 92 on *Reduction and remission of rates based on business practice*

Support Amendments 42 & 43 on *Unoccupied properties*

Support Amendment 4 on *Procedure for power to prescribe amount of non-domestic rates*

Support Amendment 101 on *Anti-avoidance regulations: recovery of rates*

Liability of owners for rates (Amendments 1, 5, 84)

We do not support the principal of transferring liability for rates to owners and do not support any amendments in this group.

Amendments 1 & 5 by Andy Wightman– SLE is concerned that these amendments go against the fundamental principle that rates relate to value associated with the usage of land and property assets.

Amendment 84 by Andy Wightman – we do not support the measure that if a rating authority has been unable to recover rates from the occupier the rating authority should have the right to recover the rates from the owner. The majority of commercial leases will make it clear that the liability lies with the occupier and we do not feel that the legislation should be used to change valid contractual agreements.

If there are problems in identifying the identity of occupiers, in order that rates can be effectively charged, then we feel steps should be taken in order to improve identification processes and prevent rates avoidance. We feel this would be a much more successful measure at tackling rates avoidance, rather than shift the liability to others on the basis that they are easier to identify.

Valuation roll: basis of valuation (Amendment 6)

We do not support Amendment 6 by Andy Wightman.

We feel that initiating widescale taxation regime changes goes against the principle of the Bill, and of the findings of the Barclay review on which the Bill was based. Rural businesses, which invest heavily across Scotland, are already subject to a very well established and complex tax regime. Taxation must be considered in the round rather than looking at just one tax vehicle. With the uncertainties of Brexit as well as other economic challenges, we believe the impact of any policy change of this magnitude should not be part of this Bill.

Furthermore, we understand that there are already ongoing discussions being had with Scottish Land Commission and others regarding land value tax and we don't think that superseding those discussions in this Bill is appropriate.

Lands and heritages to be entered in valuation roll (Amendments 7 & 8)

We do not support Amendments 7 & 8 by Andy Wightman.

While the Barclay Review initially recommended adding agricultural land to the valuation roll, the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, decided not to implement that recommendation. The decision was in recognition of slim margins within many agricultural businesses and borne out of a desire to encourage more farmers and crofters to develop more processing activity in order to earn a share of the margin that exists along the supply chain. SLE, alongside other organisations such as NFUOS, was involved in this discussion, and we remain convinced that it is vital no obstacles are put in place that would add to the profitability challenges on Scottish farms and crofts, or that would deter investment in added value to what is produced on a farm.

SLE adds its support to the view of NFUS that this debate often fails to recognise that those who run businesses on Scotland's land pay many other forms of tax. Many farm businesses in Scotland have diversified into areas out-with agriculture. As a result, often they will pay business rates on property which will not qualify for agricultural or other reliefs. In addition to this, there are many ancillary businesses which provide agricultural services (for example agronomy) which are subject to business rates.

For rural businesses to be able to grow and make long term plans, they must have a degree of stability. SLE joins NFUS in noting that the policy objectives of the Non-Domestic Rates (Scotland) Bill are to: "deliver a non-domestic rates system designed to better support business growth and long-term investment and reflect changing marketplaces". We feel that the above amendments go against the objectives of the Bill.

Ancillary powers (Amendments 86, 87, 97, 65, 98, 99, 68, 100, 71, 72)

We support Amendments 86, 87, 97, 98, 99, 100 by Sarah Boyack and Amendments 65, 68 71, 72 by Kate Forbes.

We feel these amendments assist with improved scrutiny and should help ensure certainty and clarity for those affected by the legislation.

Levying of rates: national or regional rate (Amendments 9, 10, 11, 12)

We support the principle, but do not support Amendments 9, 10, 11, 12 by Andy Wightman

This reform would have a significant impact across Scotland and therefore, must be carefully considered. We have concerns that having inconsistency in rates across Scotland could be unduly burdensome and onerous for businesses. This could have a negative effect, particularly on rural employment and investment. We appreciate the logic and benefit of local authorities being able to spend the money they collect. However, we are concerned that the negative consequences of the subsequent impact would have to be carefully weighed against the benefits. Our key ask for rates and the rates system is that they should be clear, accessible and consistent. Inconsistency would create confusion, and we have serious concerns about the resourcing and administration of such a change given current local government budgetary pressures. Furthermore, this reform would have an impact on other elements of the rates system, and this would also have to be analysed. For example, there would need to be thorough consideration of how this proposal would affect appeals etc.

We are particularly concerned by Amendment 10

SLE is concerned that Amendment 10 would see ratepayers pay two poundage rates - one set by Scottish Ministers and a second additional 'regional rate' on top set by each local authority. This double taxation would result in ratepayers facing even higher rates bills and therefore seems in contradiction with the Bill's objective to better support business growth and long-term investment. We are further concerned that this proposal could see businesses based in Scotland at a significant disadvantage to England and Wales and could see investment in Scotland reduce.

Levying rates: progressive rate (Amendment 14)

We do not support Amendment 14 by Andy Wightman.

We feel that this amendment is at odds with the principles of the Barclay Review and the original intentions behind the Non-Domestic Rates (Scotland) Bill. The Barclay Review was asked to explore ideas and options to improve the business rates system in Scotland to better support business growth. As part of this, they considered how the rates system could respond to wider economic conditions and changing marketplaces, how the rates system can support long-term growth and investment and how they can ensure that the rates system is overall revenue-neutral and to maintain the overall level of funding for local government. SLE is concerned that this proposal would result in an enormous cost for ratepayers and that in this economic climate this would be untenable.

Limitation on the power to prescribe a supplemental rate in relation to certain land and heritages (Amendment 13)

We support Amendment 13 by Graham Simpson.

We welcome amendment 13, which appears to seek to place a cap on the large business rates supplement so that Scotland is not at a competitive disadvantage to England or Wales. As the Barclay Review identified the large business rates supplement damages perceptions of Scotland as a place to invest, and recommended the level playing field be restored by April 2020. We are pleased to see this amendment and support it.

Duty to report on the valuation process (Amendments 39 & 88)

We support Amendment 39 by Alexander Stewart and Amendment 88 by Sarah Boyack.

We hope that with sufficient resource the principles of amendment 88 would be included within amendment 39. We feel this amendment assists with scrutiny and process and should help ensure clarity.

Mandatory minimum payment (Amendment 3)

We do not support Amendment 3 by Andy Wightman.

We feel this amendment goes against the principle of the Small Business Bonus Scheme and do not see a justifiable reason for this. The Small Business Bonus Scheme was put in place to assist small businesses in Scotland who experience a hefty rates bill as a high proportion of their turnover. It is acknowledged by the Scottish Government to be a key relief for many businesses.

We support the principle of reviewing the Small Business Bonus Scheme, closing loopholes and ensuring those that should be paying rates do so. However, a strong policy rationale for keeping it remains, and therefore we are against the principle that there should be mandatory minimum payment for all ratepayers.

New or Improved properties (rates relief) guidance (Amendment 89)

We support Amendment 89 by Sarah Boyack.

Having worked with the assessors in regard to the re-introduction of sporting rates, we support the principle of guidance being drawn up with input from persons that have the appropriate expertise.

Reduction and remission of rates based on business practice (Amendments 90, 91, 92)

We support the principal of the Amendments 90, 91, 92 by Sarah Boyack.

We believe that all businesses should do their best to have sustainable and positive business practices and contribute to Scotland's net-zero target. However, we would ask for a full business impact assessment to determine the impact these could have in practice.

Unoccupied properties (Amendments 42 & 43)

We support Amendments 42 & 43 by Kate Forbes.

We understand that Amendments 42 & 43 relate to the pledges made by the Cabinet Secretary for Finance, Economy and Fair Work during negotiations over support for the Scottish Budget for 2019-20. The Scottish Government promised to devolve Non-Domestic Rates empty property relief to local authorities in time for the next revaluation. We are supportive of this proposal. Many rural businesses rely on the availability of business rates relief, and therefore these have a significant and direct effect on the prosperity of businesses. We agree that reliefs should be targeted, and that Local Authorities need to make more of their ability to offer local reliefs to address local issues.

Procedure for power to prescribe amount of non-domestic rates (Amendment 4)

We support Amendment 4 by Andy Wightman.

We feel this amendment assists with improved scrutiny and should help ensure clarity.

Anti-avoidance regulations: recovery of rates (Amendment 101)

We support Amendment 101 by Sarah Boyack.

We support the tackling of anti-avoidance measures and believe there should be an ability for the recovery of rates lost through these means. We support the principle of the Bill in increasing fairness and ensuring a level playing field amongst ratepayers and see this amendment as a positive addition to the measures introduced by the Bill.

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