Scottish Land&Estates

NON-DOMESTIC RATES REFORM

A FAIRER RATES SYSTEM FOR RURAL SCOTLAND

Supporting Growth. Reflecting Ability to Pay. Protecting Local Revenue.

August 2026

CONTENTS

S

ABOUT SLE

Scottish Land&Estates

At Scottish Land & Estates (SLE) our work helps to ensure that rural Scotland thrives. We are a membership organisation for landowners, rural businesses, and rural professionals.

We promote the wide range of benefits land-based businesses provide: food production, energy generation, tourist attractions, leisure facilities and landscapes enjoyed by the public, as well as housing, employment, tourism and enterprise.

We represent the interests of our members and wider rural Scotland to the UK and Scottish Governments to help ensure that policy and legislation reflects the unique requirements of rural Scotland and its communities.

EXECUTIVE SUMMARY

- There is broad consensus that non-domestic rates need reform and the time for another protracted review has passed.
- The current system pays too little regard to a business's actual ability to pay and revaluations can create sharp, unmanageable increases.
- The patchwork of reliefs and thresholds creates confusion and administrative burden and can punish investment, diversification and growth.
- This is particularly damaging in rural Scotland where agricultural, tourism and land-based businesses can be asset-heavy but cash-constrained.
- SLE proposes a simpler, more stable and economically grounded model based on ability to pay, public value and growth - broadening the tax base and strengthening local authority revenue over time.
- The proposals retain a property-based foundation, but make business growth the route to stronger, more sustainable local revenue from the outset.

WHAT THE SYSTEM WOULD INCLUDE

- a property-based foundation
- rural and sector adjustment
- public value adjustment
- standard allowance
- growth and investment allowance
- economic capacity adjustment
- caps and forward projections

WHY THE CURRENT SYSTEM FAILS

The current model relies too heavily on property valuation as a proxy for business capacity.

The most recent revaluation raised serious questions about transparency and fairness, with many businesses reporting unsustainable increases of over 600% in liabilities.

The Assessor values property, not the wider circumstances of the business occupying it.

Liability can therefore diverge sharply from a business's ability to absorb the cost.

Government is then forced to intervene through reliefs and short-term fixes, creating complexity, cliff edges and uncertainty.

A system designed to raise revenue should not push viable businesses towards closure, reduced investment or job losses.

WHY RURAL BUSINESSES ARE EXPOSED

- high fixed property and maintenance costs
- seasonal or volatile income
- lower margins in agricultural, tourism and land-based activity
- exposure to weather, commodity prices and energy costs
- long supply chains and higher operating costs
- limited alternative uses for buildings in remote areas
- small local labour markets where the loss of one job can affect an entire community
- wider responsibilities including housing, access, environmental delivery and community infrastructure.

These businesses can appear asset-rich while being cash-constrained, so property value can be mistaken for profitability.

THREE ANOMALIES THAT SHOW WHY REFORM IS NEEDED

Scotland's current non-domestic rates system creates profound unfairness. These three anomalies show why reform is urgent.

1 TAXING FAILURE

When a business ceases trading, councils may still receive income through empty property rates. But this is a false comfort.

A closed business no longer supports employment, local procurement, visitor spend, local services, supply chains, income tax, corporation tax or wider economic activity.

Taxing empty properties after failure punishes places already in decline and discourages future enterprise.

2 TAXING PUBLIC BENEFIT

Some non-commercial rural buildings – such as village halls and community spaces – can attract rates bills even when they generate no income and are made available free of charge for community use.

These assets are run by volunteers and funded by local donations, grants or fundraising. They exist to deliver public good, not profit.

The system should recognise and enable public benefit, not penalise it.

3 PUNISHING INVESTMENT

The treatment of certain business types – including small-scale hydro and short-term lets – has led to increases of several hundred per cent over short periods, despite no comparable increase in ability to pay.

Revaluations of over 600% have been reported, and in the hydro sector, this has triggered protracted legal challenges.

Investment that brings jobs, renewable energy and visitors should be encouraged, not punished.

These anomalies show why reform must consider economic and social value, not simply property occupation.

THE NEW MODEL

Our proposed model is simple, fair and rooted in rural reality. It starts with a property-based foundation and then adjusts for economic capacity and public value before applying a standard allowance so that fairness is built into the calculation.

Rates Liability =
Base Property Charge ×
Economic Capacity and
Public Value Adjustments
– Standard Allowance

The model rests on four clear components:

1. BASE PROPERTY CHARGE

Retains a property-based starting point for stability and local authority funding. Property is the base - not the final word.

2. RURAL AND SECTOR ADJUSTMENT

Recognises lower margins, remoteness, seasonality, market volatility, infrastructure costs and wider rural responsibilities.

3. PUBLIC VALUE ADJUSTMENT

Rewards employment, local procurement, housing, access, environmental delivery, tourism infrastructure and community facilities.

4. STANDARD ALLOWANCE

Replaces complex reliefs with one automatic allowance, giving every business a clear baseline reduction without navigating multiple schemes.

Simple to understand. Easy to administer. Fair to rural Scotland.

THE NEW MODEL

A fairer rates system for rural Scotland should be built on seven practical components. Together, they create a system that is fair, predictable and growth-supportive.

5. GROWTH AND INVESTMENT ALLOWANCE

Businesses should not be punished for improving property, creating jobs or diversifying income. Increases linked to investment should be proportionate and phased.

6. ECONOMIC CAPACITY ADJUSTMENT

Liability should reflect a business's realistic capacity to contribute.

For most businesses this should be delivered through automatic sector and rurality bands, permanent caps and tapered transitions.

Where liability is demonstrably disproportionate, businesses should be able to opt into a certified economic-capacity test based on a three-year average adjusted operating surplus.

This does not turn assessors into auditors.

7. CAPS AND FORWARD PROJECTIONS

Permanent inflation-linked caps would prevent sudden unaffordable increases.

Forward projections would give businesses clarity over future bills and confidence to invest.

PROTECTING LOCAL AUTHORITY REVENUE

- This is not a proposal to reduce local government funding.
- It is a proposal to protect and strengthen the local tax base over time.
- A trading business supports wages, procurement, visitor spend, supply chains, local services and multiple tax streams. A vacant building does not.
- SLE modelling indicates that a balanced system of allowances and multipliers can protect local authority income from the outset while supporting growth in the tax base over time.
- Sustainable public services depend on a healthy, growing business base.

IMMEDIATE ACTIONS FOR MINISTERS

Ten reforms to build a fairer, simpler and more local Non-Domestic Rates system that supports rural Scotland and rewards public value.

1 **Retain a stable property-based foundation, but make ability to pay central to liability.**

Keep the stability and transparency of a property basis, but ensure rates are proportionate to what businesses can afford to pay.

2 **Introduce an economic capacity adjustment so rates reflect profitability, margins and ability to pay.**

Link liability to real economic performance, not just property values.

3 **Create a rural and sector adjustment for agricultural, land-based and rural businesses facing low margins, seasonality and remoteness.**

Recognise structural challenges that reduce ability to pay.

4 **Introduce a public value adjustment for businesses delivering employment, housing, environmental benefit, public access, tourism infrastructure and community facilities.**

Reward businesses that do more for the places they serve.

5 **Replace complex layers of short-term relief with a simpler standard allowance.**

One clear, transparent allowance that reflects basic business costs and supports all ratepayers.

6 **Create a growth and investment allowance so improvements, diversification and job creation are not penalised.**

Encourage long-term investment that strengthens rural economies.

7 **Apply permanent caps on annual increases to end revaluation shocks and provide forward projections of rates liability to all ratepayers.**

Give certainty, protect budgets and support planning.

8 **Reform empty property policy so the system prioritises productive use rather than extracting revenue from vacancy.**

Target long-term vacancy and support re-use and regeneration.

9 **Create a Community Use Relief for village halls and other non-commercial buildings providing community benefit.**

Protect the places and facilities that hold communities together.

10 **Create a Chief Assessor accountable to Parliament for valuation decisions, with greater transparency over valuation methodology.**

Independent leadership. Clear standards. Public confidence.

WHAT DO THESE REFORMS LOOK LIKE IN PRACTICE?

A working model of the new NDR system has been developed.

It compares existing and proposed rates, maps local authority impacts, and incorporates the proposed adjustments and allowances.

A copy is available on request.

THE TEST FOR REFORM

Every reform we make should be tested against six simple questions.

1. Does it reflect ability to pay?
2. Does it support investment and growth?
3. Does it recognise the nuances of different business types?
4. Does it reward public value?
5. Does it protect local authority revenue over the long term?
6. Is there greater transparency over the valuation methodology?

CONCLUSION

The current non-domestic rates system is not just imperfect; at times it is self-defeating.

By placing unsustainable burdens on businesses, it risks eroding the very tax base it depends on.

Local authority revenue will be stronger when more rural businesses are able to start, survive, invest and grow. A wider business base is more sustainable than a smaller number of ratepayers facing higher bills.

Reform should not be about lowering taxation; it should be about making taxation work.

SLE is proposing a practical alternative: a system that retains a stable property base, but builds in economic capacity, rural and sectoral nuance, public value, investment, certainty and fairness from the outset.

Scotland needs action, not another review. A system that enables businesses to succeed is a system that secures revenue for the future.

More viable businesses, growing with confidence, mean stronger local authority revenue over time.

CONTACTS

For more information or to discuss our policy work, please get in touch with our team.

Anna Gardiner

Senior Policy Adviser, Business & Property

Anna.Gardiner@scottishlandandestates.co.uk

07436790367

Cameron Gillies

Head of External Affairs

Cameron.Gillies@scottishlandandestates.co.uk

07776990321

Scottish Land&Estates

scottishlandandestates.co.uk