

SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE
DATA PROTECTION FORM

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| Date: | 30/05/19 |
| Organisation: (if required) | Scottish Land & Estates |
| Topic of submission: | The Non-Domestic Rates (Scotland) Bill |

I have read and understood the privacy notice about submitting evidence to a Committee.

I am happy for my name, or that of my organisation, to be on the submission, for it to be published on the Scottish Parliament website, mentioned in any Committee report and form part of the public record.

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I would like to request that my submission be processed in a non-standard way.

SUBMISSION FROM SCOTTISH LAND AND ESTATES

Scottish Land & Estates (SLE) is the voice of rural businesses throughout Scotland. We are a membership-based organisation representing a wide range of rural businesses, including farmers, foresters, tourism operators, housing providers, leisure companies, and renewable energy providers.

Our members provide a wide range of economic, environmental and social benefits which are vital to the success and survival of communities throughout rural Scotland. They play a critical role in ensuring sustainable, healthy and empowered rural communities, providing housing, employment and a wide range of economic, environmental and social benefits.

1. The Scottish Government's overall programme of Non-Domestic Rates reform, and how the Bill fits into this.

SLE broadly welcomes the changes to Non-Domestic Rates regulations as set out in the Bill.

2. How the Government has responded to the Barclay review, in particular on those recommendations it has rejected in full or part.

SLE feels the Scottish Government's Bill is a good response to the Barclay review. As an organisation, we generally welcomed the recommendations of the Barclay Review and the measures proposed in the Bill.

The principle of these measures introduced by the Bill – "measures to support economic growth and long-term investment, measures to improve ratepayer experience and administration of the system, and proposals to increase fairness and ensure a level playing field" – are supported by SLE.

We are pleased that the Scottish Government chose to reject the recommendation that "all property should be entered on the valuation roll (except public infrastructures such as roads, bridges, sewers or domestic use) and current exemptions should be replaced by a 100% relief to improve transparency." Although the Barclay Review stated, it did not recommend removing current exemptions (such as for agriculture and forestry) the measure was still concerning. We do not see the benefit of undertaking the administrative burden of valuing currently exempt subjects. The example given of enabling diversification and allowing the public to see the taxpayer subsidy to exempt subjects is misleading.

We do not view exemptions as subsidies, and to do so is misleading. For example, reintroducing rates on a subject would not simply add the total rateable value to the pot. There would be significant consequences which could result in a negative outcome. We are concerned that exemptions require full legislative change and therefore, parliamentary scrutiny. Reliefs do not require such scrutiny and can be changed more easily. Uncertainty is the last thing the agriculture and forestry sectors need.

We are also pleased that the out-of-town levy was not taken forward. SLE was very concerned over the adverse effect this would have on rural businesses.

Additionally, we support the Scottish Government's amendment of the proposal to restrict empty property relief for listed buildings from 2 years to 5 years. Such buildings can present major challenges and can require a longer period of potential vacancy prior to rates becoming liable due to the planning, additional investment costs and other complexities involved. With the agreement to devolve empty property rates policy to local authorities assurance is sought that this remains the position.

3. Revaluation of properties subject to non-domestic rates would be carried out every 3 years rather than every 5 years.

SLE welcomes the change to a three-yearly valuation cycle and a one-year gap between the tone date and the date of revaluation. We feel this avoids the current disconnect between valuation and reality, particularly as the revaluation in 2017 was after a 7-year gap. We also welcome the recognition that the Assessors will require an additional resource, both in terms of personnel and funding, to deliver this effectively.

SLE would also like to highlight the indelible link between the success of a three-yearly valuation cycle and the success of reforming the appeal process. We would support aligning valuations across the UK but also recognise the impossibility of this being accomplished by England's 2022 revaluation date.

4. A provision in relation to new or improved properties

SLE supports the relief for new properties for 12 months after they are first occupied, but that they will nevertheless be entered on the valuation roll when they come into existence. As observed in paragraph 49 of the Policy Memorandum, this will ensure integrity and transparency of the valuation roll and presents less of a compliance risk, especially in light of the relief being automatic, rather than application based.

We also support the principle that properties eligible for this relief should be included on the valuation roll to aid transparency and to remove the need for ratepayers to apply for this relief.

5. Address a perceived "loophole" that enables owners of holiday homes to avoid both council tax and non-domestic rates

We seek consistency for second homes and self-catering premises. Non-Domestic Rates and Council Tax should align their requirements. SLE does not support the requirement for properties to be actually let for 70 days. We are unsure how this will be enforced, and how the assessor will be able to distinguish between those with occupants 69 days a year and those with occupants 70 days a year. While there is a provision for local authorities to exercise a degree of discretion our experience in similar situations, such as empty property relief is that local authorities do not take individual circumstances into account and charges are often levied without consideration.

6. Reduce the current high rate of valuation appeals.

We support changes which will result in a quicker and more transparent and appeals process. However, we do not think the detail of the recommendation will necessarily speed up the process. We also do not support the suggestion that an appeal fee should be considered to cover the structural change. Implementation of this recommendation is noted as being discussed and that timetables will be set out in secondary legislation. We are concerned over this long-term approach and believe there should be changes made in the short term that will reduce the time spent in the appeals system. It is disappointing there is no recognition that ratepayers must pay the incorrect rate while the appeal is outstanding.

7. Address known tax avoidance tactic concerning unoccupied or under-used properties.

SLE supports the introduction of more rigorous anti-avoidance measures for intentional abuse of the legislation, provided these are proportionate and sufficiently clear. We feel it is crucial this measure stays with local authorities as they are best placed to understand the circumstances surrounding the property. However, we hope that local authorities will have some discretion for exceptional cases where there is genuine error or misunderstanding.

8. Councils to initiate debt recovery proceedings for unpaid rates sooner.

SLE welcomes this measure. Streamlining the debt recovery process and aligning the non-domestic rates and council tax objectives, will improve the ratepayers' experience of the rating system and administration of the system, as well as promoting fairness. It is important that an exceptional element of discretion remains in particular cases of financial hardship and also that there should be proactive resolution of any mistakes around determining liability to avoid significant obligations over a period of time.

9. Strengthen the power of assessors to obtain the information they need to carry out their role

We agree the Assessors need a greater response from ratepayers to reach reliable market assessment and in turn, reliable property valuations. We are wary of the Assessors seeking significant information from sources other than the occupant. This must be done with care. The move from a criminal penalty which is rarely used to a civil fine is welcome. We are happy to see the inclusion of an extension to the 56 days in which ratepayers must return their form. The previous 14 days was far too short for ratepayers to gather accurate information and return the form.

10. Give local authorities increased powers to obtain information from ratepayers.

A new civil penalty is welcomed but must only be enforced if the ratepayer has adequate access to the information required. For example, someone who slips into the definition of a holiday let may not be aware of the exact definition and may, therefore, think they are still liable to pay council tax rather than non-domestic rates. Generally, there should be consistency as to how local authorities and assessors engage with ratepayers.

11. Give the Scottish Ministers the power to make anti-avoidance regulations.

SLE supports the creation of a General Anti-Avoidance Rule to reduce avoidance and make it harder for loopholes to be exploited in future. However, we highlight the need for there to be consistency in application.

12. Do you have any other comments about the Bill? Is there anything not in the Bill concerning non-domestic rates that should be in the Bill?

SLE considers that the focus requires to be on ensuring business rates are transparent, equitable and predictable as businesses need to know the likely impact of their investment decisions. It is also vital that we have a business tax regime in Scotland which at the very least does not put Scotland at a competitive disadvantage to the rest of the United Kingdom and which does not dis-incentivise investment.

SLE also feels that for the Bill to be successful, it is crucial that the Scottish Government considers how the changes to ratepayers are going to be communicated. The body responsible for communicating this change needs to be confirmed as soon as possible.

Additionally, we were disappointed to see the Review refers to rates on shootings and deer forests as rates on 'shooting estates' which continues to concrete the false understanding of what is to be rated. There was no discussion about these rates in the Review, and they are not tackled in the Bill, which we believe do not fit with the purpose of non-domestic rates identified by the Review – to raise funds and support economic growth.

The Review goes some way to recommend improvements to the system, but there is significant work still to be done by the Scottish Government to ensure recommendations are appropriate and will not have unintended consequences. On the other hand, some sectors cannot wait for extensive consultation and further review. For example, discussions are already taking place regarding the plant and machinery order, and these must proceed to avoid serious consequences imminently.