

## Briefing for the Citizen Participation and Public Petitions Committee on petition [PE2019](#): Withdraw rates relief under the Small Business Bonus Scheme from Holiday Let Accommodation, lodged by Alan McLeod

### Brief overview of issues raised by the petition

The petition calls for all properties that are used for “self-catering holiday accommodation” to be barred from qualifying for the Small Business Bonus Scheme. This scheme reduces the amount of non-domestic rates payable and often exempts properties from being liable for non-domestic rates altogether.

The petitioner argues that this would create a “level playing field” for higher value properties that do not qualify for the scheme.

### How non-domestic rates work

In Scotland, non-domestic rates are paid by owners, tenants or occupiers of non-domestic properties, such as shops, offices, hotels, factories and self-catering holiday accommodation. A property is classed as a self-catering holiday accommodation for non-domestic rates purposes if in any given tax year:

- it is available to let for at least 140 days, and
- it is let for a total of 70 days or more.

The amount of rates payable is determined by a four step process:

- 1) Multiplying the rateable value of a property by a tax rate known as ‘poundage’ (set by Scottish Government ministers). The rateable value is determined by independent assessors and is generally based on an estimate of the rental value of the property.

- 2) Deducting any reliefs (ie. discounts).
- 3) Subtracting adjustments for overpayments already made.
- 4) Adding adjustments, such as money owed from previous underpayments.

This petition relates to step 2.

## Non-domestic rates relief

There are [several relief schemes](#) that reduce or eliminate the amount of non-domestic rates payable. These include Rural Rate Relief, relief for registered charities and Day Nursery Relief. This petition relates to a specific relief scheme - the Small Business Bonus Scheme (see below).

Local authorities can set their own relief schemes, but most are set by Scottish ministers using secondary legislation. See [The Non-Domestic Rates \(Levying and Miscellaneous Amendment\) \(Scotland\) Regulations 2023](#) for the latest amendments by Scottish ministers.

## Small Business Bonus Scheme (SBBS)

The SBBS offers non-domestic rate discounts for properties of low rateable value. It is the most common form of rates relief and in 2022-23, it accounted for [72% of all reliefs awarded](#).

Ratepayers may be eligible for the SBBS if the following applies:

- the combined rateable value of a ratepayer's business premises is £35,000 or less,
- the rateable values of individual premises are £20,000 or less,
- the property is actively occupied.

There is no link between the qualifying criteria for SBBS and the criteria used to determine whether a property is classed as a self-catering holiday accommodation. The petition refers to "arbitrary" sales targets of 70 days, which is a reference to the 70 day rule above and has no relation to whether SBBS applies.

The SBBS offers discounts up to 100% on non-domestic rate bills. The amount of discount available depends on the rateable value of the property or properties that a ratepayer is liable for.

A taper rate is in place to prevent a “cliff edge”, whereby properties just below the qualifying threshold receive 100% discount and properties with a rateable value just above the threshold receive no discount.

The scheme is not available to advertising billboards, car parks, betting shops and payday lending businesses.

This petition would add “self-catering holiday accommodation” to the list of properties unable to qualify for the SBBS.

The petitioner argues that *“those operators who could not survive a rates bill should be eliminated from the market so that those of us who can survive can flourish and improve our quality and market price earned.”* The implication is that the petitioner believes the SBBS disadvantages self-catering holiday accommodation providers that are ineligible for SBBS, so SBBS should therefore not be offered to any self-catering holiday accommodation to create what the petitioner describes as “a level playing field”.

## “Pareto Redistribution”

The petition also refers to “Pareto Redistribution”. In economic theory, a Pareto optimal outcome occurs when it is not possible to make an individual better off without making another worse off. This implies that resources have been allocated efficiently (if not equitably). A Pareto Optimal Redistribution is a contested and theoretical idea in economics that it is optimal for the state to redistribute resources because individuals’ utility is linked and better off citizens themselves gain from redistribution, despite paying more in taxes than they receive back from the state. Note that this is a theoretical argument about economic efficiency, not a value judgement about progressive taxation in general.

It is possible that the petitioner’s reference to “Pareto Redistribution” is an argument that the non-domestic rates system for self-catering holiday accommodation is not an efficient tax.

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The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of
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