

Non-Domestic Rates (Liability for Unoccupied Properties) (Scotland) Bill

Policy Memorandum

Introduction

1. As required under Rule 9.3.3 of the Parliament's Standing Orders, this Policy Memorandum is published to accompany the Non-Domestic Rates (Liability for Unoccupied Properties) (Scotland) Bill ("the Bill") introduced in the Scottish Parliament on 24 November 2025.
2. The following other accompanying documents are published separately:
 - Explanatory Notes (SP Bill 78–EN);
 - a Financial Memorandum (SP Bill 78–FM);
 - a Delegated Powers Memorandum (SP Bill 78–DPM);
 - statements on legislative competence made by the Presiding Officer and the Scottish Government (SP Bill 78–LC).
3. This Policy Memorandum has been prepared by the Scottish Government to set out the Government's policy behind the Bill. It does not form part of the Bill and has not been endorsed by the Parliament.

Policy objectives of the Bill

General

4. The policy objective of the Non-Domestic Rates (Liability for Unoccupied Properties) (Scotland) Bill ("the Bill") is to enable the charging of non-domestic rates on the owners of unoccupied non-domestic property, subject to any reliefs that local authorities may choose to put in place. That was the intended effect of section 19 of the Non-Domestic Rates (Scotland) Act 2020 ("the 2020 Act") but due to a legislative error, the 2020 Act failed to make owners liable for rates due on unoccupied non-domestic property (also referred to in this document as "empty property rates"). This Bill is being introduced to give effect to the original policy intention and to bring the statute book into line with the position as understood by local authorities and ratepayers, and applied by local authorities, in order to ensure that public finances are maintained.

Non-domestic rates system

5. Non-domestic rates (NDR), commonly erroneously referred to as business rates, are a property tax based on the rateable value (RV) of a property. RVs are generally based on the annual rental value that a property would attract in an open market. Rating valuations are carried out by independent Scottish assessors and all RVs are periodically updated at revaluations to reflect changes in the general level of rents.

6. The RV of all non-domestic properties is re-assessed periodically by the assessors – this is referred to as a revaluation. Revaluations are intended to redistribute the tax base to reflect shifts in market values that have taken place since the last revaluation. The most recent revaluation was on 1 April 2023 based on rental values one year prior (1 April 2022). The next revaluation is on 1 April 2026 based on rental values as at 1 April 2025.

7. The Scottish Government has responsibility for setting NDR policy (including rates, reliefs and exemptions) and the legislative framework for the tax (such as this Bill). Responsibility for the day-to-day administration of the NDR system, including the billing and collection of taxes, rests with each of Scotland's 32 local authorities. Non-domestic properties are entered on a public document, the valuation roll, by independent assessors.

8. Assessors have responsibility for the valuation of all heritable properties for local taxation purposes within their respective valuation areas. All rateable and rated non-domestic properties are shown in the valuation roll ("the roll"). Non-domestic properties are properties such as shops, offices, warehouses and factories, and any other property that is not classed as domestic property. The roll is a public document which contains an entry for all non-domestic properties in an assessor's valuation area except those specifically exempt by law (for example agricultural land and buildings).

9. Local authorities use the roll, for their respective areas, when calculating a property's NDR liability. The pre-relief NDR bill for a property is determined by multiplying the RV of the property by the poundage. The poundage is a pence in the pound tax rate set annually by the Scottish Government. There are currently three rates in Scotland and the rate which a property is charged depends on its RV.

Barclay Review of Non-Domestic Rates and the Non-Domestic Rates (Scotland) Act 2020

10. In 2016 the Scottish Ministers commissioned Ken Barclay to carry out an independent review of the NDR system in Scotland ("the Barclay Review"). The 2017 'Report of the Barclay Review of Non-domestic Rates'¹ contained 30 individual recommendations on how the NDR system could be enhanced and reformed in Scotland to better support business growth and long-term investment and reflect changing

¹ [Non-domestic tax rates review: Barclay report - www.gov.scot](https://www.gov.scot/publications/non-domestic-tax-rates-review/barclay-report/pages/11)

marketplaces, whilst still retaining the same level of income to deliver local services upon which businesses rely. The Scottish Government accepted the majority of the recommendations^{2,3} and introduced the Non-Domestic Rates (Scotland) Bill to implement the agreed recommendations, on 25 March 2019. This Bill completed Stage 1 on 10 October 2019 and Stage 2 on 4 December 2019. Stage 3 concluded on 4 February 2020 and the Bill was passed by the Scottish Parliament on 5 February 2020. It received Royal Assent on 11 March 2020 and was enacted as the Non-Domestic Rates (Scotland) Act 2020 (“the 2020 Act”).

Devolution of Empty Property Relief to local authorities

11. Prior to 1 April 2023, section 24 of the 1966 Act provided that “no rates shall be payable in respect of lands and heritages which are unoccupied”. It also provided that the Scottish Ministers could, by regulations, prescribe certain classes of non-domestic property for which the person entitled to possession would be liable to pay a prescribed rate of between 50% and 90%. The Scottish Ministers used these powers to provide for Empty Property Relief (EPR).

12. National EPR was amended a number of times up to 31 March 2023. On 1 April 2016, unoccupied industrial property became eligible for 100% relief for the first six months since becoming unoccupied and thereafter 10% indefinitely. Other (non-industrial) unoccupied property became eligible for 50% relief for the first three months since becoming unoccupied and thereafter 10% indefinitely.⁴ An unoccupied property had to be occupied for at least six weeks before it could then be treated once again as newly unoccupied, for the purposes of EPR. This period was extended to six months following a Barclay Review recommendation to counter a known avoidance tactic whereby property owners would repeatedly, temporarily, bring a property back into use for a short period to take advantage of the more generous EPR entitlements for unoccupied properties when they started being unoccupied. Further, in the years prior to the devolution of EPR, the following unoccupied properties were not liable for NDR:

- property not comprising one or more buildings or a part of a building,
- listed buildings,
- property subject to a building preservation order,
- property with rateable value under £1,700,

² [Barclay review of non-domestic tax rates: implementation plan - www.gov.scot](https://www.gov.scot/publications/barclay-review-of-non-domestic-tax-rates/implementation-plan/pages/12.aspx)

³ [Written question and answer: S5W-21757 | Scottish Parliament](https://www.parliament.scot/S5W-21757/Scottish-Parliament/Written-question-and-answer/S5W-21757)

⁴ Further, both prior to and after the devolution of EPR on 1 April 2023, if it appears to the council that part of a property is unoccupied but will remain so for a short time only, the council may ask the Assessor to apportion the RV between the occupied and unoccupied parts. In that case, the Assessor must apportion accordingly, and the RV for the whole property is taken for rating purposes to be the apportioned RV of the occupied portion plus a percentage of the apportioned RV of the unoccupied portion - that percentage between 1 April 2016 and 31 March 2023 was 0% for industrial property empty for up to six months; 90% for industrial property empty for over six months; 50% for non-industrial property empty for up to three months; 90% for non-industrial property empty for over three months. From 1 April 2023, the RV for the whole property is taken for rating purposes to be the apportioned RV of the occupied portion only.

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- property the owner of which was in administration (or subject to an administration order),
- property the owner of which was a company or limited liability partnership subject to a winding-up order made under the Insolvency Act 1986 or being wound up voluntarily under that Act,
- property the occupation of which was prohibited by law,
- property where action had been taken by or on behalf of the Crown or any public authority with a view to prohibiting occupation or to acquisition (e.g. compulsory purchase order), or
- property the person entitled to possession of which was only so entitled as a liquidator, as the trustee under a trust deed for creditors or an award of sequestration, or as the executor of a deceased person's estate.

13. As part of an agreement with the Scottish Green Party, the Scottish Ministers agreed to devolve all aspects of EPR to local authorities by the next non-domestic property revaluation - then scheduled for 1 April 2022. The then Cabinet Secretary for Finance, Economy and Fair Work confirmed this at the Stage 1 debate of the Budget (Scotland) (No 3) Bill⁵ and in a letter to Patrick Harvie MSP in his role as the co-leader of the Scottish Green Party on 31 January 2019.⁶

14. A Scottish Government amendment (amendment 42) to provide for the devolution of EPR and charging of rates on unoccupied properties, subject to any local relief local authorities may choose to put in place, was put forward during Stage 2 of the Non-Domestic Rates (Scotland) Bill.⁷ The then Minister for Public Finance and Digital Economy explained to the Local Government and Communities Committee that this amendment devolved EPR by repealing legislation that provided that no rates were payable on unoccupied properties, as well as a power that allowed ministers to prescribe by regulation classes of unoccupied properties for which such rates were payable. The Minister stated that local authorities would see an increase in their revenue funding to account for the devolution of EPR which would be discussed with the Convention of Scottish Local Authorities (COSLA) nearer the revaluation, adding:

“Councils will have full flexibility over how they deploy those extra resources locally. Should they wish to replicate the former national relief, or to introduce any local relief, they have the option to do so using the powers given to them by the Community Empowerment (Scotland) Act 2015. Should they wish to use the resources to support other local priorities, then that is a matter for individual councils, which are accountable to their local electorate. The reform, along with others agreed in the 2019-20 budget, represents the biggest empowerment of local authorities since devolution.”⁸

⁵ [Meeting of the Parliament, Thursday 31 January 2019 - Official Report | Scottish Parliament](#)

⁶ [Letter to Patrick Harvie MSP | cdn.prgloo.com](#)

⁷ [Marshalled List of Amendments for Stage 2 - Non-Domestic Rates \(Scotland\) Bill | Scottish Parliament](#)

⁸ [Local Government and Communities Committee, 4 December 2019 - Official Report | Scottish Parliament](#)

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15. Amendment 42 was agreed by the Committee and corresponds to section 19 (unoccupied properties) of the 2020 Act.

16. Due to COVID-19, the Scottish Ministers delayed the 2022 revaluation to 1 April 2023 and this was announced in the 'Programme for Government 2020 to 2021'.⁹ On 13 January 2021, the then Cabinet Secretary of Finance confirmed the joint agreement between the Scottish Government, COSLA and the Scottish Green Party to delay the devolution of EPR to 1 April 2023 to keep it in line with revaluation.

17. The 'Scottish Budget 2023-24', published on 15 December 2022, confirmed that local authorities would from 1 April 2023 have full discretion over EPR with £105 million added to the Local Government Financial Settlement to support local priorities including the option to develop local relief schemes.¹⁰

18. Following agreement between the Scottish Government and COSLA on the distribution methodology of the £105m, the amount allocated to each council (which is the same in 2023-24, 2024-25 and 2025-26) has been set out in local government finance circulars for 2023-24,¹¹ for 2024-25¹² and for 2025-26.¹³ Each of these circulars noted: "Empty Property Relief was devolved to local authorities on 1 April 2023 covering all relief and rates exemptions for fully unoccupied properties including listed buildings, properties where the owner is in administration, etc. (...) Councils may offer their own local reliefs under the Community Empowerment (Scotland) Act 2015 including to empty properties."

19. In 2023-24 the majority of local authorities put in place EPR relief schemes policies that were comparable with the previous national EPR which existed in the years immediately prior to the devolution of EPR. In subsequent years an increasing number have put in place local EPR schemes that are often less generous than the pre-devolution national EPR was.

20. The New Deal for Business Group (NDBG) was set up in 2023 to explore how the Scottish Government could work more closely with Scottish businesses, to better design policy and its implementation. It established a consultative sub-group on NDR to advise on further enhancements to the NDR system, following the implementation of the final recommendations of the Barclay Review. This sub-group recommended in the NDBG's 'Report on progress and recommendations'¹⁴ published in June 2023 that the Scottish Government undertake an initial review of the devolution of EPR before the next revaluation in 2026, with agreed terms of reference set out in advance following engagement with relevant stakeholders. The NDR sub-group¹⁵, since renamed the NDR

⁹ [Protecting Scotland, Renewing Scotland | www.gov.scot](https://www.gov.scot/publications/protecting-scotland-renewing-scotland/pages/10/)

¹⁰ [Scottish Budget: 2023-24 | www.gov.scot](https://www.gov.scot/publications/scottish-budget-2023-24/pages/10/)

¹¹ [Local government finance circular 3/2023: settlement for 2023-24 | www.gov.scot](https://www.gov.scot/publications/local-government-finance-circular-3-2023-settlement-for-2023-24/pages/10/)

¹² [Local government finance circular No. 2/2024: settlement for 2024-2025 | www.gov.scot](https://www.gov.scot/publications/local-government-finance-circular-no-2-2024-settlement-for-2024-2025/pages/10/)

¹³ [Local government finance circular 1/2025: settlement for 2025 to 2026 | www.gov.scot](https://www.gov.scot/publications/local-government-finance-circular-1-2025-settlement-for-2025-to-2026/pages/10/)

¹⁴ [New Deal for Business Group Report on progress and recommendations, June 2023 | www.gov.scot](https://www.gov.scot/publications/new-deal-for-business-group-report-on-progress-and-recommendations-june-2023/pages/10/)

¹⁵ [Business: New Deal for Business Group | www.gov.scot](https://www.gov.scot/publications/business-new-deal-for-business-group/pages/10/)

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Consultative Group, set up a Task Team comprising of business representatives, rating practitioners and local authorities, to consider this matter. The Task Team which met three times between November 2023 and March 2025, noted that a large number of local authorities were spending less than their allocation (of the £105m) on local EPR schemes and recognised that the availability and reliability of data on vacant non-domestic properties made it difficult to evaluate the impact of the devolution of EPR on empty properties and the commercial property market more widely. It was also noted that this remained a transitional period for the purposes of a review. Wider matters also raised during the discussions included the challenges of property redevelopment and reoccupation (planning being one of the main issues), particularly for listed buildings; and the lack of incentives available to encourage investment in empty properties e.g. to support renovation costs.

Objective of the Bill

21. Preliminary concerns that the amendments made by the 2020 Act to devolve EPR had not had the intended legal effect were identified in August 2025 and confirmed on 16 September 2025. Since then Scottish Government officials have worked at pace to develop the Bill, the objective of which is to rectify that position.

22. Section 19(2) of the 2020 Act repealed section 24 of the Local Government (Scotland) Act 1966. Section 24 of the 1966 Act provided that no rates were payable in respect of non-domestic property which was unoccupied, and gave the Scottish Ministers the power, through regulations, to prescribe classes of lands for which the person entitled to possession would be liable to pay a reduced rate of between 50% and 90% of the rate otherwise payable.

23. It was believed, at the time of drafting what became section 19 of the 2020 Act, that repealing section 24 of the 1966 Act (which provided that no rates were payable in respect of non-domestic property which was unoccupied) would have the effect of rendering NDR payable on all non-domestic properties including unoccupied properties. This intention is set out in the Explanatory Notes to the 2020 Act which state:

“Subsection (2) of section 19 repeals section 24 of the 1966 Act. The default position following commencement of section 19 will therefore be that NDR are payable in respect of unoccupied lands and heritages. Local authorities have power to offer NDR relief in respect of unoccupied lands and heritages under section 3A of the 1962 Act (schemes for reduction and remission of rates), should any authority wish to do so. The Scottish Ministers could also, if they wished, provide for relief for unoccupied lands and heritages under section 153 of the Local Government etc. (Scotland) Act 1994.”

24. This however, overlooked the existence of section 16(1) of the Valuation and Rating (Scotland) Act 1956 (“the 1956 Act”) which states:

“In the year first commencing after the passing of [the 1956 Act] and in every subsequent year every rate levied by a rating authority shall be payable by

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occupiers only, and any reference in any enactment or statutory order to a rate or a portion of a rate payable by owners shall be construed accordingly.”

25. Section 16(3) of the 1956 Act does specify that this default position of rates being payable by “occupiers only” is without prejudice to any right of a rating authority under any provision of the House Letting and Rating (Scotland) Acts, 1911 and 1920, or of the Local Government (Scotland) Act 1947 or any other enactment, to recover the rates levied in respect of any property from the owner. For instance, the Non-Domestic Rates (Miscellaneous Anti-Avoidance Measures) (Scotland) Regulations 2023 allow local authorities to transfer the rates liability of a property to the owner in prescribed circumstances. There is not, however, any statutory provision currently in force that gives local authorities the right to levy rates on the owner of an unoccupied property outwith the above. That has been the case since section 19(2) of the 2020 Act came into force on 1 April 2023. Without remedial legislation, it would be necessary for all rates paid by owners of unoccupied property since that date to be refunded.

26. While councils administer NDR, the cost of potentially refunding rates previously charged would fall to the Scottish Government which guarantees the sum of General Revenue Grant and NDR income for each local authority, as would any interest due on such rates paid. It is estimated that a one-off refund of rates paid on empty properties between April 2023 and September 2025 would amount to approximately £300 million to £350 million. The Financial Memorandum provides further information on the estimated costs of the Bill not passing.

27. Primary legislation is required to remedy the issue, as there are no regulation-making powers capable of making the necessary changes. The intent of this Bill is therefore to deliver the original policy intention of section 19 of the 2020 Act and provide a statutory basis for owners to be liable for rates in respect of unoccupied property, subject to any reliefs that local authorities may choose to put in place under existing discretionary powers. This will give effect to the original intention when the 2020 Act was enacted and as currently understood by local authorities and ratepayers.

28. Further, the Bill will have retrospective effect, with liability backdated to 1 April 2023. As far as the Scottish Government is aware, owners of unoccupied property on the valuation roll have proceeded on the understanding, since 1 April 2023, that they are liable for non-domestic rates in respect of those properties. No ratepayer has raised legal proceedings challenging their liability on the grounds that the amendments made by the 2020 Act were ineffective in imposing liability on owners of unoccupied property. Rather, there has been a mistaken understanding that the effect of the amendments to the 1966 Act by the 2020 Act was indeed to render owners of empty properties liable to full NDR, unless local authorities put an applicable relief in place. The Bill will accordingly correct an error in amendments made by the 2020 Act in order to bring the statute book into line with the position as universally understood by local authorities and ratepayers.

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29. The Bill will have retrospective effect in order to maintain public finances. Without retrospective effect, there would be an unexpected windfall for some ratepayers, but a potential loss of around £350 million in public revenue. This would potentially require either significant cuts to public services, or compensatory tax rises in subsequent years. Importantly, the proposed Bill is not retrospectively raising “new” revenue, but is seeking to protect revenue already collected (albeit revenue collected without a valid legal basis due to a legislative error).

30. The Bill also provides for an ancillary regulation-making power through which the Scottish Ministers may make any incidental, supplementary, consequential, transitional, transitory or saving provision they consider appropriate for the purposes of, in connection with or for giving full effect to the Bill. That ancillary regulation-making power may in particular make provision about the payment (or repayment) to a person of sums incurred in connection with enforcement of the person’s liability to pay NDR. That will enable the Scottish Ministers, should they consider it necessary or appropriate, to empower or require local authorities to refund enforcement costs that ratepayers have had to pay. For example, the 10% surcharge which is automatically added to the bill of ratepayers in arrears of NDR payments if and when a summary warrant is issued to them.

Alternative approaches

31. Two alternative approaches were considered.

32. The first alternative approach is to do nothing and to notify local authorities that there is, in the Scottish Government’s view, no legal basis for local authorities to levy NDR upon the owners of unoccupied properties (and has not been since 1 April 2023). It is likely that local authorities will come to the same conclusion and will be legally bound at that point to consider stopping charging rates on the owners of unoccupied non-domestic properties and to administering refunds to eligible ratepayers, including any interest due over the period. The cost of refunding rates paid on unoccupied properties since 1 April 2023 would fall to the Scottish Government, as would any interest accrued on such payments.

33. The second alternative approach is to introduce a Bill which is not retrospective and only provides for local authorities to levy rates on unoccupied properties from the date the Bill comes into force. While this would enable them to charge rates on the owners of unoccupied properties going forward, local authorities would still be legally bound to consider refunding eligible ratepayers the rates paid on unoccupied properties between 1 April 2023 and the commencement of such a Bill, plus any interest.

34. The Scottish Government estimates that a one-off refund of empty property rates by those who paid them between April 2023 and September 2025 would amount to approximately £300m to £350m, including any interest. This rises to £350m to £400m if considering the three financial years 2023-24, 2024-25 and all of 2025-26.

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35. Separately, in addition to the one-off refund costs, the lack of a legal basis for levying rates on unoccupied properties going forward would lead to a permanent reduction in NDR income annually of an estimated £130m to £140m, rising to an estimated £150m to £160m by 2030-31, compared with the Scottish Fiscal Commission's forecasts. This estimate may potentially increase over time as the lack of ability to levy empty rates removes a key incentive to encourage property occupation.

36. As stated above, the Scottish Government guarantees the sum of General Revenue Grant and NDR income for each local authority and both these alternative options could put significant pressure on Scottish public revenues. More information on this is provided in the Financial Memorandum to the Bill.

Consultation

37. No consultation has been carried out given the need to bring forward remedial legislation as quickly as possible after concerns that the amendments made by the 2020 Act had not had the intended legal effect were confirmed on 16 September 2025; and given that the Bill is intended to bring the legislative framework into alignment with the common understanding of section 19 of the 2020 Act, namely for rates to be levied on the owners of unoccupied properties and for local authorities to be able to introduce local EPR should they want to do so.

Effects on equal opportunities, human rights, island communities, local government, sustainable development etc.

Equal opportunities

38. The Bill is intended to apply equally to those affected by its provisions, ensuring a proper and permanent basis for the charging of rates on the owners of unoccupied property. An Equality Impact Assessment (EQIA) has been conducted in order to ascertain the impact of the Bill on groups with protected characteristics. The EQIA has confirmed that the provisions of the Bill will not directly or indirectly discriminate in any way on the basis of age, disability, gender reassignment, sex (including pregnancy and maternity), race, religion or belief or sexual orientation. The EQIA will be published on the Scottish Government website shortly after the introduction of the Bill.

Human rights

39. The Scottish Government has assessed the potential impact of the Bill on human rights. The Bill is considered by the Scottish Government to be fully compatible with the European Convention on Human Rights (ECHR).

40. Article 1 of the first Protocol to the ECHR protects the peaceful enjoyment of possessions but recognises that a person may be deprived of possessions in the public interest, as long as that is subject to the conditions provided for by law. That Article confirms that, notwithstanding the right to the peaceful enjoyment of one's possessions, a State retains the right to control the use of property in the public interest and, in particular, to secure the payment of taxes. The European Court of Human Rights has consistently held that a considerable margin of appreciation must be given to the decisions of national authorities and particularly, the legislature, in areas of taxation, revenue and economic strategy. It is for the democratically elected Scottish Parliament to determine where the public interest lies in matters of taxation, and to decide the appropriate balance between private and public interests.

41. Although retrospective legislation is not inherently incompatible with the ECHR and is competent in principle, the Scottish Government acknowledges that there is a general public interest in the law not being changed retrospectively. However, in a context where there has been an inadvertent error in the 2020 Act that the Bill seeks to correct in order to protect the public purse, the Scottish Government considers that this public interest is outweighed by a competing public interest justifying the retrospective application of the provisions. The Scottish Government took action to rectify the problem by developing and bringing forward the Bill as quickly as possible after the problem was confirmed (on 16 September 2025), but as the problem has persisted since 1 April 2023, retrospective legislation is necessary if a significant loss to the public finances is to be avoided.

42. The Scottish Government does not consider that the retrospective application of the Bill imposes an unreasonable burden on the individual ratepayer or that it fails to strike a fair balance between ratepayers' interests and the general interest. The retrospective application of the Bill is considered by the Scottish Government to be proportionate to the policy objectives pursued, given that the Bill seeks to correct a legislative error and bring the statute book into line with the position as universally understood by local authorities and ratepayers, in order to protect the public purse. Without the Bill, the affected ratepayers would receive an unexpected windfall, as they have already paid the rates demanded on the (mistaken) basis that they were lawfully due. It is therefore not considered that the Bill, in retrospectively validating the rates paid, creates any unfairness or raises any propriety concerns.

Statement of compatibility under section 23(1) of the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Act 2024

43. The Cabinet Secretary for Finance and Local Government, Shona Robison MSP, has made the following statement regarding children's rights:

“In accordance with [section 23\(1\) of the United Nations Convention on the Rights of the Child \(Incorporation\) \(Scotland\) Act 2024](#), in my view the provisions of the

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Non-Domestic Rates (Liability for Unoccupied Properties) (Scotland) Bill are compatible with the UNCRC requirements as defined by [section 1\(2\) of that Act.](#)”

Island communities

44. The Bill will apply to non-domestic property owners in communities across Scotland, including island communities.

45. The Scottish Government has assessed the potential impact of the Bill on island communities and has determined it will have no significantly different or detrimental impact on island communities given it will have a nil effect compared to the status quo.

46. The Scottish Government has carried out an Islands Communities Impact Assessment which will be published on the Scottish Government website shortly after the introduction of the Bill.

Local government

47. Responsibility for the day-to-day administration of the NDR system, including the billing and collection of non-domestic rates due, rests with each of Scotland’s 32 local authorities. This Bill is designed to ensure that local authorities are not required to stop charging rates on unoccupied properties, or to refund non-domestic rates paid on empty properties since 1 April 2023. Doing so could create a material administrative burden as well as short-term cash flow issues for local authorities, though the impact of a reduction in NDR income in 2023-24, 2024-25 and 2025-26 would be borne by the Scottish Government which guarantees the combined amount of General Revenue Grant provided and NDR redistributed to local authorities each year. The impact on local government funding from 2026-27 onwards if the Bill does not pass would depend on the Scottish Ministers’ policy decisions, for instance they could choose to increase the rates from 2026-27 to make up for the loss of revenue compared to currently forecast NDR income.

48. The Financial Memorandum provides more information on the estimated impact (reduction) in NDR income and potential administrative costs to councils if the Bill is not passed.

49. Local authorities are also ratepayers in their own right when they occupy rateable non-domestic properties. In the absence of the Bill, and subject to Ministerial decisions in subsequent budgets, a local authority may have a financial gain in the form of a lower non-domestic rates bill should it no longer be required to pay NDR on any empty property it owns and/or should it refund itself for rates paid on such property since 1 April 2023. The Financial Memorandum provides more information on this.

Sustainable development

50. The Scottish Government has assessed the potential impact of the Bill on sustainable development and no detrimental effects are anticipated.

51. In terms of the three pillars of sustainability: environmental protection, social equity and economic viability:

- Environmental effects: the Bill has minimal or no impact on the environment.
- Social effects: the Bill seeks to ensure fairness and maintain a level playing field amongst ratepayers.
- Economic effects: non-domestic rates have a key role to play in delivering sustainable economic growth and supporting local services and the Bill provides the continuity to support this.

52. The Scottish Government's National Performance Framework sets out a clear purpose for Scotland – to focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth. The National Performance Framework embeds the UN Sustainable Development Goals. This Bill contributes towards the Scottish Government achieving its purpose by providing a clear, consistent framework for non-domestic rates which contributes to the national outcome to have a globally competitive, entrepreneurial, inclusive and sustainable economy, and therefore supports United Nations Sustainable Development Goal 8: Decent work and economic growth.

Crown consent

53. It is the Scottish Government's view that the Bill as introduced does require Crown consent. The Scottish Government's view is that the Bill may impact property held by the Crown or the personal property of the Sovereign, the Prince and Steward of Scotland and/or the Duke of Cornwall in their capacity as the potential owners of unoccupied non-domestic property.

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Policy Memorandum

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