LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM THE CITY OF EDINBURGH COUNCIL

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

CEC: This modernises legislation, reflecting current social and economic practices.

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

CEC: A balanced approach taken based on feedback from stakeholders. In particular, not taking forward an out-of-town levy and the proposal to impose a 10% supplementary charge on property that has been vacant for over 5 years. Additionally amending the proposal to restrict empty property relief for listed buildings from 2 years to 5 years.

3. Section 2 of the Bill which provides that revaluation of properties subject to non-domestic rates would be carried out every 3 years rather than every 5 years.

CEC: The Council has concerns over how appeals to revaluation would be treated, as the current appeals process can be lengthy during the 5-year process. If this is shortened to 3 years, would appeals be settled within the actual revaluation period?

4. Section 3 of the Bill, which (together with section 9) makes provision in relation to new or improved properties. These delay the point at which non-domestic rates are increased because a property has been expanded or improved, or at which a new build property begins to incur liability to non-domestic rates. The underlying aim is to incentivise development and investment in business properties.

CEC: Legislation is in place and working effectively. Collaborative working with Assessors has made the process more streamlined. The amended wording to the 2019 regulations (change from “building” to “entry”) has led to applications from entities such as advertising stations, site huts and show homes which would have not been eligible prior to 1/4/19. Further clarification is currently being sought.

5. Section 4, which aims to increase the degree to which parks are subject to non-domestic rates, in recognition of the commercial activities that take place in some parks (e.g. the running of a café).

CEC: Guidance from the Scottish Government must be made very clear to allow all Local Authorities to have a consistent approach and ensure that what is deemed as commercial activity in one authority is treated the same across Scotland.
6. Section 5, intended as a measure to address a perceived “loophole” that enables owners of holiday homes to avoid both council tax and non-domestic rates by making it more difficult to enter a home on the roll (and, through this, to then claim relief under the small business bonus scheme).

CEC: The Council agrees with the policy intent, as Small Business Bonus Scheme (SBBS) was not created for this intention. As SBBS is the major reason for accessing this loophole, by removing this relief or reducing from 100% it may deter home owners from using this loophole.

7. Sections 6-9, which aim to reduce the current high rate of valuation appeals, which the Scottish Government perceives as speculative. (Increasing the frequency of ratings revaluations in section 2 is also seen as a component of this reform.)

CEC: No change to original comments made in 17/9/18 consultation:

C councils would hope that appeals did not increase due to the high level of accuracy of initial valuation. However, for the cases which do go to appeal, if the process was simplified this would reduce the time taken end to end. This would result in both a better customer journey and a better timeline for Councils to process outcomes.

8. Section 10, which removes eligibility to claim charitable relief from non-domestic rates from mainstream independent schools, and section 11 which gives the Scottish Ministers the power to issue guidance to local authorities on the appropriate way to use their powers to grant sports club relief.

CEC: Guidance from Scottish Government must be made very clear to allow all Local Authorities to have a consistent approach and ensure that all independent types of schools are being treated in the same way.

9. Section 12, which aims to address what the Scottish Government describes as a known tax avoidance tactic concerning unoccupied or under-used properties.

CEC: No change to original comments made 17/9/18 consultation:

In addition to closing known loopholes, CEC believe in setting up a framework to annually analyse feedback from Local Authorities for any future Anti-Avoidance Tactics. Evidence from this professional forum can be used to inform future legislative changes.

10. Section 13, which will enable councils to initiate debt recovery proceedings for unpaid rates sooner.

CEC: No change to original comments made 17/9/18 consultation:
CEC welcome this and feel that to be fair and to allow a consistent application of legislation, there should be no discretion retained by Councils over debt recovery to allow for any extenuating circumstances. Recovery should be set in line with Council Tax recovery regulations and should be the same for all Scottish Authorities.

11. Sections 14, 18, 19 and 22, which together aim to strengthen the power of assessors to obtain the information they need to carry out their role, and sections 15, 16, 17, 20, 21 and 22 which give local authorities increased powers to obtain information from ratepayers, in order to ensure that the information they have is accurate, and to reduce the risk of fraud.

CEC: No change to original comments made 17/9/18 consultation:

CEC agree that any powers awarded to the Assessors may increase the return of information allowing the Valuation Roll, and, in return, the information supplied to Local Authorities, to be more up to date. CEC however feel that questions surrounding the implementation of these further powers can only be answered by each Assessor.

12. Part 4 of the Bill, which give the Scottish Ministers the power to make anti-avoidance regulations to prevent ratepayers gaining an advantage from avoidance arrangements that are considered artificial, and sets out definitions of “advantage” and “artificial”.

CEC: The Council endorses this approach, as when the current loopholes are closed, ratepayers may find further loopholes. To enable effective management a forum or working group should be put in place to actively highlight these and close them down.

13. Do you have any other comments about the Bill? In particular, is there anything not in the Bill concerning non-domestic rates that should be in the Bill?

CEC: As mentioned in our feedback in the previous consultation on 17/9/18, communication of changes to ratepayers is critical to the Bill’s success. The communication strategy also needs to be confirmed, whether this is a collaborative approach with the Local Authorities and Scottish Government or inserts from Scottish Government with Local Authority bills etc.

The Council would request confirmation of the funding arrangements/model for the new discretionary powers given from Scottish Government for reliefs etc.