# Local Government and Communities Committee

**Call for Views on the Non-Domestic Rates (Scotland) Bill**

**Submission from Glasgow City Council**

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<th>Comments</th>
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<td><strong>1. The Scottish Government’s overall programme of Non-Domestic Rates reform, and how the Bill fits into this.</strong></td>
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**2. How the Government has responded to the Barclay review, in particular on those recommendations it has rejected in full or part**

**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.**

$\text{Although this is welcomed by the council as a measure to contribute to an overall reduction in appeals, that might well not be felt for the first couple of cycles and there could be significant increased workload for both assessors and councils in the short to medium term.}$

$\text{The council is concerned about resource implications for assessors and the need for effective reform of appeals system to facilitate this.}$

**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**

$\text{In terms of billing and administration, the council believes that the requirement for assessors to mark the valuation roll to identify new and improved properties will be positive. The council has spent a disproportionate amount of time during 2017/2018 and 2018/2019 reviewing current regulations and making decisions for applications for the Business Growth Accelerator. The intent of this section is positive but much will depend on clarity of definition of terms and their ability to promote a common understanding across Assessor, council and bill payers.}$

$\text{Although assessors will in future mark the valuation roll to indicate the properties that may qualify for this relief, the council understands that an award of relief}$
rates. The underlying aim is to incentivise development and investment in business properties.

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<th>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).</th>
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<td>This change should present no particular difficulties to the council in administration terms. Once entered in the valuation roll, the council will update the assessment roll and arrange billing and recovery in line with existing processes. However this is again an area where clarity of definition will be important to avoid risk on confusion and increased appeals. While the intent is to ensure equality across sectors, there is a risk of unintended consequence. Currently councils may lease properties to social enterprises and/or activity providers whose business model will not support the addition of NDR liability. This could lead to a reduction of activity within parks (reducing overall footfall and participation) or, if the council absorbs the increased costs through rent reduction, a reduced income stream for the council creating a revenue gap for parks maintenance. It is also recognised that although the bill seeks to continue to allow local authorities to undertake activities in parks at no additional NDR cost; this would not apply to council-owned Arms-Length External Organisations (ALEO's) and this would also provide an addition cost burden to local authorities.</td>
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<th>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).</th>
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<td>The council welcomes measures to close the loophole allowing owners to avoid both council tax and Non-Domestic Rates payments. However it will again be important to ensure there is clear definition. Providing greater discretion for Local Authorities may lead to increased variance in application of the rules across the country and ultimately move rather than close loopholes.</td>
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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.) These areas impact more on assessors than councils but the Glasgow City Council has concerns about proposals that significantly increase workload the assessors if they were not supported by long term enhanced funding streams. In respect of valuation notices it might be preferable to include signposting to additional information on the Assessors Portal rather customising individual valuation notices. The proposed Bill does not clarify how the imposition of fees would work in practice. The work in collecting these (and if the appeal is successful in reimbursing them) should not be underestimated.

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<th>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.</th>
<th>The council does not anticipate any difficulties implementing changes to the qualifying criteria for awarding charitable relief to mainstream independent schools. Should the regulations be passed, the council will review all awards of charitable relief for schools. Those that no longer qualify will be cancelled at the appropriate date. The council does not anticipate any difficulties implementing new guidance of the award of discretionary relief for sports clubs. Should the Scottish Ministers issue guidance on awarding this relief, the council will review current awards and make any required changes. Implementing both of the proposed changes will present an additional administrative burden for the council. The council would welcome Scottish Government led communication on these changes to the sectors involved.</th>
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<td>9. Section 12, which aims to address what the Scottish Government describes as a known tax avoidance tactic concerning unoccupied or under-used properties.</td>
<td>The council understands the policy intention and welcomes additional tools to address situations where avoidance tactics appear to be used. However without defining active occupation the council anticipates difficulty in applying this regulation. The council’s processes for application of occupation based reductions such as Small Business Bonus Scheme and Mandatory relief will require review. Individual councils could attempt to define active occupation but this may introduce inconsistencies across local authorities. There would also be work involved in reviewing existing awards of occupied reduction to ensure they were still applicable.</td>
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Glasgow anticipates challenges and appeals to attempts to replace occupied discounts with unoccupied reliefs. Customers and agents may reasonably ask what our definition of active occupation is if we consider their current occupation to be insufficient. Glasgow is concerned that the effort required to meet this policy intention may outweigh the benefits of regulatory change.

In relation to restricting empty property relief for listed buildings, the council are aware of a number of vacant buildings where locational and other challenges have delayed viable regeneration and repurposing proposals for a number of years. The introduction of this change without a phase in period may in some cases inhibit rather than accelerate redevelopment. In addition to a potential phase in, Scottish Government may wish to support Historic Environment Scotland in bringing forward additional resource and potentially funding to address an anticipated increase in applications for support.

| 10. Section 13, which will enable councils to initiate debt recovery proceedings for unpaid rates sooner. | The council views this as a positive change which will assist greater recovery within the year of billing. Identifying non-payers early in the financial year will allow the council to better support those facing financial difficulties. It will also allow the council to identify those businesses with the means to make payment and progress through appropriate recovery actions.

Implementation of the change will involve changes from our software supplier that are likely to incur additional costs. |

| 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 | The council supports additional tools to assist in keeping the assessment roll up to date. Publicising the prospect of financial penalties may be sufficient in the short term to alter some customer behaviour with respect to provision of information. The levels proposed in the bill may not provide sufficient incentive to ratepayers to provide the information, particularly for NDR properties with higher rateable values. A scale of charges linked to the rateable value should be considered.

Also, additional charges will only be effective where councils are in a position to recover these amounts. An additional process of recovery for these debts will require additional resource. The council also has concerns on the proposed recovery options in the |
information they have is accurate, and to reduce the risk of fraud.

...event that these civil penalties are not paid. Section 21 para (5) of the draft bill states that ‘A penalty is recoverable as a civil debt due to the Local Authority’. Taking individual court actions through the Scottish Courts simple procedure may not be cost effective or viable given the relatively small amount of any penalty compared to the potential NDR payable on the premises in question. The use of summary warrant or other fast-track route to securing authority to recover would make this process more cost-effective for local authorities.

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..."

The council welcomes Anti Avoidance regulation and defining the terms advantage and artificial is useful. However the council is also concerned about the administrative burden of collecting evidence in order to make a decision on avoidance and the potential for challenge is high at least in the early period until a sufficient body of case law is developed. The costs of defending any legal challenge may prove prohibitive.

If business practice is considered artificial or meets the criteria for gaining advantage, the council would suggest a sanction that would allow the council to nominate the property owner as the liable party for Non-Domestic Rates.

Would also like to see specific measures to address ltd company behaviours such as “Phoenixing”.

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?

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