OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 24 March 2026

Session 6

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Tuesday 24 March 2026

CONTENTS

Col.

DECISION ON TAKING BUSINESS IN PRIVATE 1

SUBORDINATE LEGISLATION 2

Non-Domestic Rates (Miscellaneous Amendment) (Scotland) Regulations 2026 (SSI 2026/135).....2

LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE
13th Meeting 2026, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Meghan Gallacher (Central Scotland) (Con)
*Mark Griffin (Central Scotland) (Lab)
*Fulton MacGregor (Coatbridge and Chryston) (SNP)
*Alexander Stewart (Mid Scotland and Fife) (Con)
*Evelyn Tweed (Stirling) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Anouk Berthier (Scottish Government)
Fiona Campbell (Association of Scotland's Self-Caterers)
Garry Clark (Federation of Small Businesses Scotland)
Ivan McKee (Minister for Public Finance)
Leon Thompson (UKHospitality)

CLERK TO THE COMMITTEE

Jenny Mouncer

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 24 March 2026

[The Convener opened the meeting at 10:15]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the 13th meeting in 2026 of the Local Government, Housing and Planning Committee. I remind all witnesses and members to ensure that their devices are on silent.

The first item on our agenda is a decision on whether to take item 3 in private. Are we agreed to do so?

Members *indicated agreement*.

Subordinate Legislation

Non-Domestic Rates (Miscellaneous Amendment) (Scotland) Regulations 2026 (SSI 2026/135)

10:15

The Convener: The next item is consideration of the Non-Domestic Rates (Miscellaneous Amendment) (Scotland) Regulations 2026. I remind those watching that this is a negative instrument and, as such, it is laid after it is made. It is subject to annulment by resolution of Parliament for a period of 40 days, beginning on the day that it is laid.

As we agreed at our meeting on 17 March, the committee will take evidence on the instrument from a panel of stakeholders, followed by the Minister for Public Finance and officials. We will then consider the instrument. On the first panel, we are joined by Fiona Campbell, who is the chief executive of the Association of Scotland's Self-Caterers; Garry Clark, who is the development manager for east, mid and south Scotland at the Federation of Small Businesses; and Leon Thompson, who is the executive director at UKHospitality Scotland. I welcome you all to the meeting. There is no need for you to turn your microphones on and off—we will do that for you.

I have an initial question to give us a bit of context. I will direct it to Leon Thompson, but everyone else is welcome to come in. I am interested in your thoughts on the number of businesses that will benefit from the measures introduced by the regulations.

Leon Thompson (UKHospitality): Thank you for the invitation to come here today. Business rates are an on-going concern for the hospitality sector. Every time there is a revaluation, it seems that lots of reliefs are talked about and support measures put in place, which underscores the fact that the situation is not fit for purpose and causes concern among hospitality businesses. Hospitality businesses generally pay more in business rates than other types of business. That is largely to do with the way in which assessors calculate the rateable value of our businesses. They try to arrive at a hypothetical rental value, which seems to push the revaluations and rates much higher for our businesses.

We always welcome the support that is provided by the Scottish Government. The transitional reliefs are complicated and it takes a lot of time for businesses to work out whether they will benefit in any substantial way from them. The 40 per cent relief that has been introduced is very welcome. Initially, it had been designated for licensed

hospitality, but, as a pan-hospitality trade association, we welcome the fact that it appears to have been broadened out to all cafes and restaurants, and not just those with alcohol licences. However, the sting in the tail is that the relief is capped for businesses with rateable values under £100,000. That is a significant issue for businesses of any scale that would be looking to invest and grow. Fundamentally, business rates are a block on, and a barrier to, investment and employment. When a cap like that is introduced, it means that our larger businesses pick up a much bigger share of the business rates charge. The difficulty with that is that we simply see businesses turning off investment and reducing employment opportunities.

The Convener: My question was whether you have a sense of the number of businesses that will benefit from the regulations.

Leon Thompson: I do not. With the instrument being laid, more businesses will come into scope, but the key thing is that a lot of businesses will not receive any support at all.

The Convener: We can ask the minister about that later. Fiona, do you have a sense of the number of your businesses that will benefit?

Fiona Campbell (Association of Scotland's Self-Caterers): First of all, I want to express our huge appreciation for the rates relief that has been delivered for the self-catering sector by the Scottish Government and the minister, given the exponential increase in rateable values in our sector alone and the fact that we saw an 80 per cent increase in the number of businesses that would have gone above the threshold for the small business bonus scheme. The other good news that we have had since that has been delivered is that assessors have come back to say that they are reducing rateable values across the whole sector by approximately 20 to 25 per cent. Again, that is incredibly appreciated.

As a result of that, I do not have a figure to give you, but I can tell you that I was at a regional event with members last week and the combination of the rates relief and the decrease in rateable values mean that many of our members are now seeing a significant amelioration of their bills. We do not have a figure for that quite yet, but we will absolutely crunch that, for sure, and it would be great if the minister could get that detail to us.

I would just like to express our huge thanks. This is going to make a material difference to our sector, for sure.

The Convener: That is great. Thanks. Do you want to comment, Garry?

Garry Clark (Federation of Small Businesses Scotland): I echo the general welcome for this particular set of amendments, which provide a bit of additional support that was not there following the revaluation and the subsequent budget.

That said, given that the support that is on the table is 40 per cent relief and given that many of the businesses in question already receive 40 per cent relief, is this really much of a change from what they have been enjoying this current financial year? Moreover, for many in the sector, valuations have gone up by an average of 28 per cent, so, although the relief is valuable, their bills will probably still go up.

Fiona Campbell mentioned the devaluation of the small business bonus. According to the Scottish Government's figures, that has led to around 16,000 businesses dropping out of that support, and those businesses will now have to pay something that they would not have had to pay this year. Indeed, the supports that they will receive through this set of amendments, as well as other reliefs, are far more complex than the reliefs that they currently enjoy.

Fiona Campbell: I just want to come back in and say that, although the reliefs are incredibly welcome, many businesses are now just below the threshold for the small business bonus scheme. Unless we go back and revisit the methodology—which we believe is truly flawed for the self-catering sector this year—we will see everybody getting dumped out of the small business bonus scheme in the next revaluation, in 2029. The reality is that that will render those businesses unviable. If we want those businesses to close—if that is the policy intention—that is what is going to happen. Although the reliefs that have been delivered in these amendment regulations are fantastic, they do not fix the fundamental problem, which is the change in methodology for the self-catering sector.

The Convener: It is probably good to put the Government—whoever will govern in the next session—on notice that the matter will need to be looked at before 2029.

Meghan Gallacher has a number of questions.

Meghan Gallacher (Central Scotland) (Con): Good morning. I will start with the revaluation and its disproportionate impact on hospitality, premises and self-catering properties. Fiona, do you think that the Scottish Government is perhaps treating hospitality and self-catering differently now, or do you think that there needs to be more of a push to help businesses in those types of premises?

Fiona Campbell: I think that there is a general assumption that tourism and hospitality just happen, but, unless we support the sector, we are not going to see it just happening. Instead, we are going to see lots of businesses closing, which will

have intense and remarkable repercussions for local communities and economies.

Unless there is some support and a real acknowledgement of what the hospitality and tourism sectors do for our communities and economies, we will find ourselves in huge trouble. The rateable values and the valuations are critical in that support. Although we welcome the Gill review, we think that it should be extended to the self-catering sector, because you just have to look at figure 3 in the Scottish Government's valuation roll data to see the enormous anomaly in rateable value increases in the self-catering sector. That needs to be addressed—and I agree, convener, that it needs to happen way before 2029, for sure.

Meghan Gallacher: Let us move to the process and the methods of revaluation itself. What needs to change about the process and the methodology of conducting valuations? What would be beneficial to the business sector? I do not know who wants to kick off on that—I know that it is a huge question.

Fiona Campbell: I will leave my colleagues to talk about other sectors, but there has been a complete change in methodology for the 2026 revaluation of the self-catering sector. We warned the assessors that we would end up with an anomaly if that were to happen, and we did. I have been a self-caterer for 24 years, so I can attest to the fact that, for the past decades, we have been assessed on merits of expenditure and receipts—in essence, profit and loss. This year, the assessment is based on rents, but rents do not reasonably exist in our sector and we have given untold levels of evidence to the Scottish Government and assessors on that fact, which has resulted in these welcome amendments. However, we need to go back to an assessment that works, not only for the self-catering sector but across the board. From 2026, we need to future proof any valuations, because they are currently decades old and are simply not working. It is a flawed and broken system.

Meghan Gallacher: That is helpful. Thank you.

Garry Clark: I would agree with that as far as the self-catering sector is concerned. There is a much wider issue as well, because you see winners and losers in any revaluation, and in this one we see 144,000 losers and only 40,000 winners.

We went through the Barclay review just under a decade ago, and we assumed that fewer step changes would happen if we increased the frequency of revaluations. Yesterday, I spoke to a couple of businesses in Fife—an industrial unit and an office development—and both are seeing increases of about 65 to 70 per cent in their valuations. Although they have had some engagement with the assessors on that, one of the problems with the assessor system is that, first, it is very local—14 assessors across the country will do it in 14 different ways—and, secondly, there is zero accountability as far as the assessors are concerned.

What we want to see more widely is a much greater increase in accountability and transparency as to how decisions on business rates are reached. Yesterday, one of those members told me that, although the actual rental value of the property is less than £12,000, their valuation has gone up to £32,000. They have been in touch with the assessor, but the assessor has not justified that figure and has not even responded in any way. We need a better system whereby assessors can be held truly accountable. We believe that, ultimately, the delivery should be transferred across to Revenue Scotland, which is accountable to the Scottish Government and to the Parliament.

Meghan Gallacher: Do you think that political parties or the Parliament as a whole have heard that message?

Garry Clark: We have been discussing the matter with all the political parties, going into the election. As Fiona Campbell and Leon Thompson have said, we have a very cumbersome system. For example, I have a member in Bathgate who has a small retail store that is currently—this year—under the threshold for the small business bonus, so they do not pay any rates at all. As of next week, their business will be just over the threshold, which means that it will have to have revaluation transitional relief applied to it, which will apparently be applied automatically. They will then have to apply separately for small business transitional relief and for the small business bonus, although at a much reduced level, and they will have to apply for retail relief. In other words, that business owner will have to make three different applications for a relief that they would receive automatically this week. Even after they make those three applications and the four reliefs are applied to their business, they will still face a bill that will be more than £1,000 this year and will treble by 2028. That is not right.

Meghan Gallacher: No, it is not right.

10:30

Leon Thompson: The issue comes from having the assessors on one side and the Scottish Government on the other. Who is responsible for arriving at a fair outcome?

UKHospitality would like to see some changes. We believe that the quickest way to deal with the issue would be to introduce variable poundage rates. For example, hospitality could be given a

lower poundage rate, particularly at times when business is really challenging. We feel that that would be the quickest way to fix the issue, because the system we have at the moment is massive and hugely complex, and I am not sure that there is a quick way to arrive at a new system.

Fiona Campbell mentioned the Gill review. Brian Gill KC will lead a review team to look at the methodology for licensed hospitality, which includes hotels. We do not know where that will go, but the review is looking for quite a lot of detailed and commercially sensitive information, so businesses may feel that it is difficult to take part fully. We know that the Scottish Government has said that it will consider anything that comes out of the review in time for the revaluation in 2029, but that is quite a long way down the track. Some businesses are really struggling at the moment, and that has not really provided them with any certainty about what might happen at a future revaluation.

Garry Clark mentioned the Barclay review. One of its key recommendations was to move from having a revaluation every five years to having one every three years, with the expectation that that might ease the increases, but we have not seen that. One of my members was given a 40 per cent increase at the previous revaluation and another 40 per cent increase this time around, although nothing has changed and the turnover of their business has not increased.

There is a question about how the assessors arrive at the valuations, because it is unclear how that works. We know that the assessors work to practice notes that are publicly available, but those notes are actually quite thin and scant, so they do not necessarily give a lot of scope for any challenge of the assessors.

Lots of things in the current system need to be looked at and addressed, and the quickest way to deal with the issue would be to look at the poundage rates. It would be good to have variable rates to support hospitality.

Meghan Gallacher: That is helpful. It is good to have that on the record, so that the next Parliament can pick up on your comments and, I hope, do something positive.

Evelyn Tweed (Stirling) (SNP): It is good to see the panel members here again.

Garry, you discussed the 100 per cent small business bonus scheme and said that some businesses are falling out of that scheme and do not get that relief any more. Do you have a sense of how many businesses will still get that relief after the 2026 revaluation?

Garry Clark: The Scottish Government has said that about 100,000 businesses will receive some kind of support under the small business bonus scheme. In the current small business bonus scheme, 100,000 businesses receive full, 100 per cent, relief. According to the Government's figures, about 16,000 businesses will drop out of receiving any support from that scheme.

Prior to the 2023 revaluation, the small business bonus scheme threshold was £15,000. That dropped to £12,000 in the 2023 scheme. Despite an overall 12 per cent increase in valuations, that figure has been held at £12,000, which we would argue is a real-terms devaluation of the small business bonus scheme that has left at least 16,000 businesses, and probably more than that, out of pocket.

Evelyn Tweed: You gave the example of the business that had fallen just outwith eligibility for the small business bonus scheme. Is that normal? Are businesses falling just outwith, then having to go into that sort of—

Garry Clark: There are three different pillars to the way that non-domestic rates work. The assessors set the rateable value; the Government sets the poundage rate; and the Government then sets reliefs against the overall bills. Whether businesses fall within or drop outwith the small business bonus scheme depends on the assessors' calculation of the rateable values. Given that average rateable values are increasing by 12 per cent but the thresholds for small business bonus support remain static, a significant number of businesses—at least 16,000—will drop out of any support, and probably 16,000 businesses will drop out of full support.

Evelyn Tweed: It must be pretty scary for a business to have had that relief but then just miss it and, as Leon Thompson said, go through a myriad of different relief forms. How will we support businesses to get through what they will have to do?

Garry Clark: That is a difficult question. I gave the example of the retailer in Bathgate. It has gone from having complete support—peace of mind, being able to plan and recruit, and knowing what its liability or otherwise will be for business rates—to a system in which it will be eligible for four different reliefs but will still have a significant business rates bill.

Councils vary in how much information they give to business owners about the different levels of relief. All of us around the table have a degree of knowledge of business rates. I do not think that any of us would by any means call ourselves experts, but we probably know more than the average business does. People come to me to ask what they are eligible for, and I try to explain, as I did last week, that, although they will be eligible for four different reliefs, their bill will still be more than

£1,000. That is not where we should be when it comes to business rates. We should not have relief after relief after relief that add up to what is still, for the business, a very disappointing position of turning a zero rates bill into a significant rates bill.

Moreover, rateable values are also used to calculate businesses' water bills. There are no reliefs against those so, if a rateable value increases by 50 per cent, as it did in the case that I mentioned—I have members in Fife who have had increases of 70 per cent, members in North Lanarkshire who have had increases of 60 per cent, members in Stirling who have had increases of 62 per cent, and one business in Kilmarnock whose increase was 230 per cent—there is no relief against the concomitant increases in the water rates. There is a huge increase in those businesses' cash liability, at the worst possible time for many of them.

Evelyn Tweed: Until things are looked at again, it certainly sounds as though good guidance and education for businesses about what they can get, and in what way, will be very important.

Garry Clark: Absolutely. All we business representative organisations and trade bodies will try to make sure that our members know as much as possible. However, unfortunately, not every business, even in our sectors, is a member. We come across businesses that the issue has simply slipped past, because councils do not tell them about such things. Again, there are 32 different local authorities, so there are 32 different billing authorities for business rates—actually, probably 31, because Midlothian shares with Edinburgh. All those billing authorities charge businesses for rates but not all of them even call the reliefs by the same name. A relief goes through the Parliament and is given a title but sometimes a local authority calls it something slightly different, which can confuse businesses even further in what is already a hugely complex and confused system.

Evelyn Tweed: So if I was a business owner with properties across a number of local authorities, the reliefs that would be available to me would have different names.

Garry Clark: Yes, and they would not be obvious. If we take the last revaluation as an example, in some local authorities, businesses would have been able to apply for a small business bonus and the small business transitional relief in a single application, but some local authorities requested that two separate applications were submitted. In the case of the retailer in West Lothian, the business will be awarded automatically with one transitional relief, which will be measured against its gross rates bill. It will need to apply for a separate relief, which will be measured against its net rates bill, and make separate applications for retail relief and the small business bonus scheme. I daresay that, compared to where the business might otherwise sit, the reliefs are generous by that measure, but the system is needlessly complex and many businesses will, unfortunately, miss out as a result.

Evelyn Tweed: That is depressing, but thank you.

The Convener: As we have gone into the complexity of the system, I will go to Mark Griffin, who has an interest in exploring that.

Mark Griffin (Central Scotland) (Lab): My question may be more for the Minister for Public Finance; I may need to relay your comments to him. The Scottish Government's framework for tax says:

"People and businesses should be able to understand the tax system".

You have not described a picture of clarity. What would you like me to put to the minister about the clarity of the tax regime as it applies to your sectors when you compare it with the Government's principle that

"People and businesses should be able to understand the tax system"?

Garry Clark: At the risk of hogging the meeting, I will make a quick point on that, before I hand over to the others. If you want to ask the minister something, you should ask him whether you can look at his worked examples for business rates and see whether you can understand them.

Fiona Campbell: I seem to constantly say three words: clarity, consistency and certainty. For a small accommodation business to be told just before Christmas that its rateable value will increase from £6,600 to £31,600 when it has already set accommodation rates for the following year is not terribly stress-free. Brilliantly, the assessors have reduced the rates back down to £11,600. Although that is wonderful news, businesses do not know whether they are coming or going. Stress levels are enormous right now. As Garry Clark has said, it is very difficult for those businesses to budget on the basis of those figures.

Garry also noted that any rates relief will also not help with businesses' water bills. Recently, I spoke to a water company, which said that it is getting absolutely bombarded with calls from people who are saying, "How dare you double my water rates. On what basis have you done that? Does the water suddenly have gold in it?" It is just because the water rates have gone up. The issue goes far beyond rateable value; it goes to the operational level. The rate increases are unsustainable for tiny businesses. We have all set the wrong accommodation rates and will have to suck it up.

As Garry has said, the system is very difficult for people to understand.

The demographic of the self-catering sector is that 80 per cent of self-caterers are women who are over 55. I am not putting them down in any way, shape or form, but if they are not members of the ASSC, the Scottish Tourism Alliance or another trade body, they will not know how to get the reliefs and it will be difficult for them to do so. I commend the non-domestic rates team, because it has sent out some good guidance and we have been able to distribute that to businesses. That being said, that will get only to the people who read what we put out. It is incredibly difficult in the sector right now.

Leon Thompson: There are huge challenges. Garry referred to the worked example for the transitional reliefs, which I printed and brought with me. I thought that I might read it on the bus, to see if I understood it any better on my way to the committee meeting this morning than I did when I was reading it at home the other week. A lot of it is impenetrable for businesses. Some businesses are no longer eligible for the small business bonus scheme and have had to suddenly navigate their way through the system for the first time, which is a major challenge.

Although we are talking about business rates, I highlight that it is only one tax that businesses have to manage and pay. The rises in employer national insurance contributions have hit all sectors hard, particularly hospitality. We have the second highest VAT rates in Europe. There are also pay issues that need to be navigated in relation to the national living wage and so on. Businesses have to grapple with a lot of cumulative costs, each of which can come with its own complexities that they need to find their way through. Anything that can be done to improve how the business rates system functions is welcome.

My final point is that when we talk about tax, we want it to be proportionate, fair and predictable—those are my three words. Business rates are probably none of those things.

10:45

The Convener: Alexander Stewart has some interest in the issue.

Alexander Stewart (Mid Scotland and Fife) (Con): I do.

In January, when the Scottish Government set the budget, your organisations—or trade bodies—set huge alarm bells ringing about the impact on the sector. I credit you for doing that. However, to what extent do the regulations that we are looking at actually manage to deal with the concerns that you raised? Are there still areas that the Government has not yet tackled? It would be good to get a flavour of what you all think about that.

In January, you set the alarm bells ringing, and the regulations are now in play. Do the regulations still fail to cover all that you require, or do they provide some of what you asked for and address your concerns?

Fiona Campbell: The critical point is that the reliefs are very welcome, but they are a sticking plaster for a broken leg. We need to go back and address the methodology. Although I appreciate that the assessors are independent, the Scottish Government has jurisdiction over the methodology. That is where we want the Scottish Government to step in and actually commit to a review, as per the Gill review. It is critical that the Scottish Government, the assessors and any independent King's counsel that reviews anything work with industry to find a way forward, because the methodology is currently broken.

Reliefs are wonderful, but they are an admission that the system is broken. We do not want to rely on reliefs. There should not be reliefs. If the system were proportionate and sensible, there would not be any reliefs, because it would just work. The bigger, more systemic problem needs to be addressed, and we are keen to work with the Scottish Parliament in the next session to do that.

Leon Thompson: We are in a better position than where we were when the Scottish budget was announced, and we absolutely welcome that. However, the difficulty is that some businesses are still being left without any support. As a result of the revaluations, a lot of businesses have been pushed above the £100,000 threshold this time round, so they will not get the 40 per cent relief. Those businesses do not necessarily think of themselves as big businesses. They are still reasonably small, family-owned and operated businesses, but they will be left without support even after these changes.

The higher property rate is also particularly challenging. A lot of businesses that are waiting to invest are unable to do so because of the lack of support and the increases that they are seeing in their rateable values this time round.

Alexander Stewart: That takes us back to the question of the priorities for your sectors and industries.

You have indicated what is required, and you have been given relief, but it is only some relief at this stage. The sectors are still in a difficult place. To plan for the future, you need the Government to give more support, advice and stimulation to your sectors. Will that happen with the regulations, or will it be—as you said, Fiona—a sticking plaster

that covers the problems but does not solve any of them?

Fiona Campbell: I think that the problem, certainly for the self-catering sector, is that, given that the methodology is completely flawed—both in our opinion and in the opinion of our independent assessor, who has reviewed it—if we do not do something substantive about it between now and 2029, the only way is up, because the likelihood of rateable values decreasing significantly is almost zero.

We need to address that issue substantively and holistically now, because the last rate revaluation led to a huge increase across Scotland of about 60 per cent, on average, for all properties. This year, the figure is 88 per cent. What will it be in 2029? Again, we do not want reliefs, even though these reliefs are incredibly helpful—what we want is a review of the methodology.

We are not trying to avoid taxation, but it has to be a fair system that we understand. It would also be helpful to understand what we are supporting through these taxes, too.

Alexander Stewart: Garry, do you want to add anything?

Garry Clark: I agree with all of that. The measures in the regulations do provide some much-needed support for the sectors involved, but the Federation of Small Businesses represents many other sectors, many of which are seeing their bills increase by 50 to 100 per cent, too.

Clearly, the Scottish Government has come into a small sum of cash from consequentials, which has made the regulations for the hospitality and self-catering industry possible, but all that they do is provide a bit of extra relief for hospitality and help, as Fiona Campbell has already amply explained, to sort out a really specific and egregious problem within the self-catering sector.

Two issues have been touched on, but there are many other issues out there. Indeed, prior to the budget and after the revaluation, many people in the property sector were expecting a much lower poundage rate than the 48.1p that was eventually announced in the budget. I think that it was expected that the rate would be nearer 45p, which would have provided a bit more relief across a wider range of sectors.

Given the extra money that the Scottish Government has had at its disposal, it is clear why it would seek to target support at these particular sectors; after all, they have, on average, been harder hit than other sectors. However, there are other businesses out there that could really do with this support—or with extra support—but they are not getting it, and they are finding it really difficult to plan.

For example, I have a member in Fife who might have to close one of their businesses, because they will not be able to afford the business rates for that particular property, and they had not budgeted for it. I know of another business in Moray that was hoping to expand into self-catering, but the kibosh has been put on that; because of business rates and other issues in that sector, it has pulled the plug on that. We have touched on the issue of water bills; I know of another business in Moray that, even under the new system, does not pay any rates at all, thanks to the small business bonus scheme, but whose water bill is trebling as a result of changes to its rateable value. Yes, these measures are welcome, and they work to a certain extent, but there are far bigger issues to address, as Fiona Campbell has outlined.

Alexander Stewart: Thank you.

The Convener: I do not think that we have any other questions—[*Interruption.*] Meghan Gallacher wants to come back in.

Meghan Gallacher: The Gill review has been mentioned this morning. A lot seems to hinge on its coming out with the right outcomes to support businesses across all the various different sectors that you represent. Would you welcome a future committee looking at the Gill review in detail to ensure that assurances are sought on the process, that there are no surprises at the end of it and that businesses are fully aware of and involved in it? I see you nodding, Leon, so I will come to you first.

Leon Thompson: We want a reasonable amount of scrutiny with regard to the review. Looking at the information that is being sought, I can see where the review is going, and its remit is very tight and constrained. If there can be further discussion once the review is published, that will be all to the good. However, we are really just starting out on this, and we need to wait and see what Brian Gill and the team come up with this year.

Fiona Campbell: I should also flag that the Gill review is, as I understand it, reviewing only the licensed trade, so it does not help us.

Meghan Gallacher: Thank you.

The Convener: Just for clarification, are you saying that it does not help the Association of Scotland's Self-Caterers, so something else needs to happen in that space?

Fiona Campbell: Yes.

The Convener: Okay. Thanks very much for coming in and pressing the need for clarity, consistency, certainty, proportionality, fairness and predictability. We very much appreciate hearing from all of you.

I suspend the meeting to allow for a changeover of witnesses.

10:55

Meeting suspended.

11:01

On resuming—

The Convener: We are now joined by the Minister for Public Finance, Ivan McKee, who is accompanied by the following officials from the Scottish Government: Anouk Berthier, head of non-domestic rates policy; and Susan Robb, solicitor. Welcome to the meeting, and thank you for joining us. There is no need to operate your microphones; we will do that for you.

I invite the minister to make a brief opening statement.

The Minister for Public Finance (Ivan McKee): I am pleased to join the committee today to assist members' scrutiny of the Non-Domestic Rates (Miscellaneous Amendment) (Scotland) Regulations 2026.

The regulations provide for an additional 25 per cent relief for eligible licensed premises and music venues—including pubs, restaurants, hotels, nightclubs and licensed clubs—that are liable for the basic or intermediate property rate, that is, those with a rateable value of up to £100,000. That additional relief was announced by the Cabinet Secretary for Finance and Local Government on 12 February during stage 1 of the budget bill.

Together with the 15 per cent retail, hospitality and leisure relief that was announced in the budget for properties that are liable for the basic or intermediate property rate, the instrument will take the total relief for eligible licensed hospitality premises and music venues to 40 per cent for the next three years, capped at £110,000 per business per year.

The instrument also provides for a specific revaluation transitional relief for self-catering and holiday accommodation that has the requisite licence to operate, capping annual increases in gross liabilities for those seeing the highest increases in rateable values at revaluation at 15 per cent year on year until the next revaluation.

I met the non-domestic rates consultative group immediately after the chancellor announced additional support for pubs in England in order to hear businesses' views and suggestions in that regard. We took on board what they told us and reacted to support their suggestions.

I am happy to answer any questions that the committee might have.

The Convener: I will begin with a context-setting question. I would be interested to have a sense of the number of businesses that will benefit from the measures that will be introduced by the regulations.

Ivan McKee: That is a good question. I will ask my officials to check whether we have that number to hand.

Anouk Berthier (Scottish Government): We are happy to confirm the exact number in writing, but we estimate that around half of the properties in the retail, hospitality and leisure sectors will continue to be eligible for 100 per cent small business bonus scheme relief and that a further 37,000 properties could benefit from mainland retail, hospitality and leisure relief or licensed hospitality relief. That figure covers all RHL mainland relief, but we can confirm the exact number that will benefit from the 40 per cent relief in writing.

Meghan Gallacher: Good morning. I would like to begin with the 2026 revaluation, because that is why we are here. Of course, substantive moves have had to be made in order to provide businesses with relevant relief. However, as we have heard in the previous panel discussion, those reliefs have been described as a "sticking plaster" and bigger work needs to be undertaken in this space. I would like to hear the minister's views on the current process and methods for conducting valuations and on whether it is time for a bigger change.

Ivan McKee: You have to look at the issue in context. Some years ago, the Barclay review made a number of proposals that have been largely taken forward, such as moving to a three-year revaluation and adopting a one-year tone date, which were supported by business organisations, as were many of the other measures that were introduced at that time.

If you look at the issue in the context of the past few cycles, you can see that, at the moment we are in a position in which the total rates bill levied on businesses is 6 per cent less, in real terms, than it was before Covid, despite there being more businesses eligible to pay rates. That shows that, far from being ramped up, the tax is taking a lower toll on businesses across the piece.

Of course, businesses always want not to pay rates, so we will always have these conversations, no matter what the system is or the extent of the reliefs in place. The Government has been clear about listening to what businesses have to say and coming forward with proposals for relief and reductions where they make sense. The total amount of relief for next year is £830 million—it is not an insignificant amount of money that we are putting into the system. Whatever way you work

through it, if there is going to be a rates system that levies property-based charges on businesses to support public services, there will always be people who think that they should be paying less. That would be the case under any tax system.

It is important to recognise that the way that the total rates package is assessed works on the basis that it is revenue neutral over the revaluation period. It is not the case that the rates bill has been hiked up on average over the period. Although some will be paying more, quite a lot will be paying less.

Meghan Gallacher: The context that we are in includes the cost of living issues, which are on everyone's minds, and other issues such as water bills, which were mentioned by the witnesses in the previous panel. Does the minister understand that there are varying contexts for the amount of pressure that is being put on businesses and that the revaluation of rates has exacerbated that problem?

Ivan McKee: As I said, the total amount that has been gathered through that process is revenue neutral over that revaluation period. There are people who are paying more and people who are paying less. Compared to the historical position, the total revenue raised through rates is 6 per cent less in real terms than it was before Covid, which is not that long ago. If anything, in reality, the rates bill on business has been reduced over that period.

We recognise that businesses face a range of challenges in relation to VAT, the employer national insurance contributions, energy bills and so on. However, if we are to have a system that raises money through a property-based tax on business to support and pay for public services, we will always be in a position in which there are people who say that they should be paying less than they are being asked to pay. Assessors go through a rigorous process of evaluating what the rateable value of a business should be, based on a range of factors, all of which are well documented. There is an extensive process of appeals that businesses can engage with if they feel that their rates are too high—either individually or, as you have already heard this morning, as a sector—and that there needs to be a reassessment. Assessors are very responsive to those discussions.

Meghan Gallacher: It appears that, through these regulations, the Scottish Government has treated licensed hospitality premises and self-catering properties differently from other types of property. Can you explain why that is?

Ivan McKee: We meet regularly with the NDR consultative group, which has representatives of different sectors. We met with it before and after the United Kingdom budget and the Scottish budget, and when it became apparent that there was potential movement—it was not clear at that point—from the UK Government in relation to additional support for businesses south of the border. I asked the group how it thought that we should spend any money that might come to us as a result of any decisions in that regard by the UK chancellor, as we were committed to making use of any consequentials that came in that way. The group was clear that there was a need to support licensed hospitality. There was also a recognition that the self-catering properties were suffering a significant increase on average, so we took steps to put caps in place to support that sector.

Meghan Gallacher: On the first panel, Fiona Campbell said that sometimes there is the opinion that tourism and hospitality just happen. Is the Scottish Government taking those things for granted, and do we need to look at how to make sure that hospitality businesses are better supported?

Ivan McKee: No, of course the Government does not take them for granted. That is exactly why we put caps in place on rates increases for self-catering premises. It is also why we have engaged extensively with the tourism sector on the changes that we have made, which will be finalised today, if Parliament passes the Visitor Levy (Amendment) (Scotland) Bill.

The sector has indicated publicly that it is very happy with the level of engagement and support that it has had from the Government on the measures. We have carried out extensive engagement with the sector to respond to the issues that it has raised with us.

Meghan Gallacher: The Gill review, which is the review of the valuation methodology that is used to assess the ratable values of self-catering and hotel properties, will not extend to revaluation of other types of business. Do you think that it is time for us to expand it and look at revaluation across the sector?

Ivan McKee: As I said earlier, the Barclay review looked at the NDR system a number of years ago and we implemented most of the recommendations from that.

The specific reason for the Gill review on licensed hospitality is that the sector told us that it felt that a different valuation methodology could be used for businesses in that sector. Other sectors have not come forward with the same challenges with regard to methodology. The self-catering sector has seen a change in the methodology as a result of the valuation, which is a more recent issue, and we have had engagement with the sector on that. The licensed hospitality sector has, for some time, been making the point that valuation methodology needed to be looked at. We

have responded to that by setting up the Gill review.

At the end of the day, if we run a rates system that is revenue neutral over the cycle, although we can absolutely look at the methodology, on average, it is going to mean that because some pay less, potentially some are going to pay more.

Meghan Gallacher: I am sorry, convener, but, before I pass over to the next member, I want to be clear that the Gill review is for the licensed hospitality sector, and I was asking whether there is a case that the same should be done for the self-catering sector.

The Convener: Do you have any questions, Evelyn?

Evelyn Tweed: I do not.

The Convener: Okay, we will go to Alexander Stewart.

Alexander Stewart: Minister, we are aware that the sector made some very strong representations to you when the budget was announced in January. It rang alarm bells and said that it had major concerns about the impact on the sector.

You have taken on board some of that, as we have already discussed, but to what extent do you think that the regulations consider the concerns that were expressed and address them?

Ivan McKee: If you are talking about the licensed hospitality sector, we have taken a broad definition there. It is broader than the approach that has been taken down south in terms of how many businesses are covered by the 40 per cent reduction. The difference is quite significant—I do not think that anyone else is getting a 40 per cent reduction in their rates bill. It is quite a significant undertaking from the Government that is going to cost £320 million over the cycle.

That is a fair response to the concerns that have been raised by the sector; we are supporting the sector because we recognise those costs. However, is also important to recognise that all sectors, by and large, are paying rates, and that other sectors are also impacted by cost of living challenges.

Alexander Stewart: The sector has expressed the difficulties that it has to deal with compared with other sectors. It used the example of water rates, which have a massive impact on such businesses.

You identified that the cost of living crisis is an issue, but the sector faces a number of increases that have a detrimental effect on its survival and the viability of its businesses. You have taken on some of those concerns, as was expressed earlier. However, witnesses from sector on the previous panel used the analogy that it was like putting a sticking plaster over a broken leg.

11:15

Ivan McKee: As I said, we have been very engaged with the sector and in particular, the licensed hospitality sector's concerns about methodology. I have raised the issue a number of times with the NDR group, which represents several sectors. I said that I am very open to suggestions if it wants to come forward with proposals on how to spend the £750 million of reliefs—that was the figure for last year—which we are increasing to £830 million this coming year. However, as I have said, no matter how much we charge for rates, there will always be people who say that they are too much—of course there will be, because that is the nature of doing business.

We are taking significant steps and putting in significant amounts of money to support the sector. The Gill review has been set up specifically to assess whether alternative methodologies can be used. As I say, whatever we come forward with, I am sure that there will be people who say that it should be done in a different way.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. Across my constituency, businesses, including pubs, cafes and restaurants, will be pleased with your announcement that you are making rates relief 40 per cent. It will not please everybody, of course, but by and large, most of those businesses will be pleased with that.

They still say to us that the impact of the assessor revaluations is pretty severe, but the elephant in the room for the hospitality sector is the impact of national insurance contributions. They are not part of the regulations, but they have a huge impact on the sector. Does the Scottish Government intend to assess the impact on the hospitality sector in particular, and will that feed into the Gill review?

Ivan McKee: There are two separate issues there. We have done extensive work on the UK Government's measures on increases to employers' national insurance contributions, including on the impact on different parts of the private sector, on the third sector and on the public sector. That work was done when those measures were taken forward. The increases have had a significant impact on businesses, particularly in the sectors that we are talking about today.

The Gill review will focus on the best methodology for licensed hospitality. It is taking extensive input from the sector. The review is staffed by individuals who have extensive experience in assessing businesses for rates, so it will be interesting to see what they come back with,

and we look forward to seeing their recommendations.

Willie Coffey: Have any of the pubs in your constituency invited you in for a pint to celebrate this particularly good news?

Ivan McKee: No, and there are clear lines that we need to observe in terms of corporate hospitality. [*Laughter*.]

The Convener: I will bring in Mark Griffin, who has questions on the complexity of the system.

Mark Griffin: The previous panel was very complimentary about this year's package of reliefs for the sector, but raised issues around the complexity of the system and understanding how its various different parts are implemented and understood. The Scottish Government's tax framework says:

"People and businesses should be able to understand the tax system."

We have a worked example of how the various reliefs operate in practice, so I will run through that. A self-catering property with a new rateable value of £15,000—pushing it over the small business bonus threshold—gets a revaluation transitional relief of 15 per cent. It then qualifies for another 25 per cent relief through the small business bonus scheme and another 15 per cent through the retail, hospitality and leisure relief scheme. It also qualifies for a further reduction from the small business transitional relief. That seems at odds with the Government's ambition that people and businesses should understand the tax system. Has the Government given any thought to how it could simplify all those very welcome reliefs, as the sector has set out, and make it clearer and easier for businesses to access them?

Ivan McKee: There are a few points there.

First, the system is clear; I do not think that there is anything unclear in relation to how it is calculated—you just walked through it yourself. However, that is different from it being complicated. I will come on to talk about that in a minute.

There are two parts to it. There is how the assessment of the rateable value of an individual property is done, which is clear. The methodology that the assessors use is published. They work through that for several hundred thousand businesses in order to arrive at numbers for each business, based on a range of factors, depending on the sector. The information and methodology that they use is clearly communicated. There is therefore nothing that is not available for individual businesses and organisations to see.

When it comes to the reliefs, I think that you have answered your own question: if those reliefs were not there, clearly, businesses would be unhappy, because they would have to pay significantly higher rates bills. We have had a number of questions this morning about individual sectors that are more challenged than others by economic factors and, indeed, rates increases. As a consequence of that, we have put in place targeted reliefs, such as those in relation to island businesses, remote and rural businesses, different sectors, or businesses that are feeling the shock of moving from small business bonus eligibility to not being in that position.

The package of reliefs that we have put in place is important. However, it will, by its nature, be complicated. I do not think that there is any getting away from that, given the need to target relief where we—and, indeed, business organisations—think that it needs to be targeted. It is also about dealing with businesses that are in transition, either as a consequence of an increase in their rateable value or their moving out of the small business bonus scheme.

If there are proposals as to how to continue to have a targeted system that supports businesses in transition, but in a less complicated way, then I am all ears. I, and the officials who need to do the calculations, would certainly be delighted to make it simpler.

Mark Griffin: Witnesses on the previous panel made the point that they have difficulty going through the different reliefs and how they are applied, and they are people who regularly engage with Government. They questioned the general level of awareness of someone who is not a member of a representative organisation, including of how the reliefs operate and how they apply to their own businesses.

Ivan McKee: A lot of this stuff happened as we made the budget announcements and as we heard from the UK Government what its changes were and how much we had to allocate through those additional reliefs. The team has therefore worked at pace to put ready reckoners out there so that businesses in a particular situation can log on or dial in, put their numbers in, and see what the impact on their individual circumstances is.

The methodology is there. However, you cannot have it both ways. You cannot ask for targeted reliefs and reliefs that support businesses in transition and, at the same time, say that there are too many reliefs. As I said, if anyone has a proposal on how to simplify it, I would be keen to hear it. However, I think that if we were to make any changes, we would, rightly, have sectors or businesses in particular circumstances raising issues about the fact that they were losing out on some of those reliefs.

The Convener: Before I bring in Evelyn Tweed, I have a question on that.

You mentioned the online calculator. The previous panel raised a concern about how businesses that do not receive support from a member body would find out that they are eligible for the reliefs. Is the Government taking on board such concerns and communicating to everyone who runs a business that there are tools that they can use?

Ivan McKee: Yes. There are two points to make about that. There is a tool for calculating what a business thinks that it is eligible for, and there is the process of applying for the relief. I will let Anouk Berthier answer on the specifics of applying for reliefs.

Anouk Berthier: It is correct that we have a non-domestic rates calculator that takes into account the small business bonus scheme. We have shared a large number of worked examples with stakeholders and councils. Those will be published in a local government finance circular in April, which will be publicly available. We will also share that information again with all our stakeholders and point people to it when they ask questions.

As the minister explained, the transitional reliefs seek to support the greatest number of businesses to avoid cliff edges, whether from revaluation itself, which is where the revaluation transitional relief comes in, or in losing some reliefs, including the very generous 2023 small business transitional relief, which a lot of businesses are still benefiting from this year. The 2026 small business transitional relief will ensure that bills are progressively phased to what they would have been without the relief by the end of the revaluation cycle. We hope that it will be possible to design a simpler system at the next revaluation, subject to what ministers want to do.

In response to your first question, I confirm that we estimate that up to 6,500 businesses will benefit from the 40 per cent relief, which is the extra 25 per cent relief for eligible properties.

The Convener: Thank you for providing that speedy response.

Evelyn Tweed: I will pick up on a question that I asked the previous panel about how we can simplify the system. Some businesses operate across different local authorities. Members of the previous panel said that it can be incredibly difficult for them, because local authorities provide different guidance and they sometimes have different names for reliefs. Could the guidance be streamlined so that local authorities use the same terminology? It must be incredibly confusing for business owners who have businesses in different parts of Scotland.

Ivan McKee: The terminology is laid out by the Scottish Government, but if councils are choosing to call the reliefs something different, we can advise them that that is not helpful. The Scottish Government uses the terminology that is used in the Budget (Scotland) Bill and the instruments that we are taking forward. We produce guidance for local authorities that sets out how they should communicate on the issue.

I go back to the point about complexity. We do not make things complex because we enjoy complexity. The complexity is a result of the fact that we have responded to businesses that have asked for reliefs in various different circumstances that they judge to be important. At the end of the day, it is fairly straightforward: a business will receive a rates bill and it will pay its rates. The relief package—which, as I have said, is extensive and is worth more than £800 million—has been provided to support businesses and to allow them to pay less. That is what is important to them.

Anouk Berthier can talk about the guidance that is issued to councils.

Anouk Berthier: As mentioned, we publish annual non-statutory rates relief guidance, which we work on with councils. That includes the worked examples that we share iterations of. All councils know that we publish that guidance, which we hope has consistent naming that they can adopt. We also share suggested application forms, which they can use parts of, if they wish, in order to assist with consistency across Scotland.

Evelyn Tweed: Will all the guidance be updated, given the current situation?

Ivan McKee: Absolutely. It will be updated so that it reflects the latest situation. A representative of the Convention of Scottish Local Authorities sits on the NDR consultative group, alongside the assessors, as well as all the different business sectors. In that forum, which is held every two or three months, there will be an opportunity for those conversations to be had directly between business organisations, local authorities and the assessors. There are plenty of opportunities for people to raise those issues on an on-going basis.

The Convener: That concludes the committee's interest in the topic. I appreciate your coming to the committee to give evidence.

We will keep going, so you may leave.

Ivan McKee: Thank you very much. I do not think that we will see you again during the session. At least, I hope not, given that there is only one day left of the session. [*Laughter*.]

The Convener: That is right—we will not. It has been good working with you.

We turn to consideration of the instrument. Do members have any comments to make on the instrument?

As members have no comments to make, I simply note that it was constructive to have the conversation. I hope that it will serve to encourage early action in the next session of Parliament.

Does the committee agree not to make any recommendations in relation to the instrument?

Members *indicated agreement*.

The Convener: Before I close the meeting, I want to take a moment to thank everybody for being fantastic committee members; it has been super to work with all of you. Not all of you have been here for the whole time—some members have come and gone and some of you are newly arrived—and I appreciate having Willie Coffey and Mark Griffin here with me for the whole time.

I express my appreciation to the clerking team, which has also changed, but I have always felt incredibly supported by all of you. I also thank our three phenomenal researchers at the Scottish Parliament information centre for helping us out by providing papers and information on local government, housing and planning. That has helped us immensely.

I thank our communications team and broadcasting for helping us to spread the good word of our work more broadly than this committee room. I also thank the hospitality team for the background support that it has provided by keeping us nourished and fed and bringing us coffee. I also thank the security team that keeps us safe.

It has been an incredible experience to be the convener of this committee, and I thank you all very much for that.

Willie Coffey: On behalf of committee members, I thank you, Ariane, for your stewardship and convenership of the committee over the years and the way in which you have handled things, which has been first class. The committee has provided a huge level of thorough scrutiny of the Scottish Government, which is right and proper.

The Convener: Thank you very much, Willie. I appreciate you being a great deputy. It has been great to have your steady hand—I have said that to you before, but I say it again now.

That concludes the public part of our meeting. We now move into private.

11:30

Meeting continued in private until 11:31.

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