

Local Government, Housing and Planning Committee

9th Meeting, 2022 (Session 6)

Tuesday 15 March 2022

Non-Domestic Rates (Coronavirus) (Scotland) Bill

Introduction

1. The purpose of this paper is to provide information for the Committee's Stage 1 evidence session with the Minister for Public Finance, Planning and Community Wealth on the Non-Domestic Rates (Coronavirus) (Scotland) Bill ("the Bill").
2. The Bill was introduced on 14 December 2021 and it, along with its accompanying documents, can be accessed via the following link: [Bill and accompanying documents](#).
3. The Committee was designated as lead Committee for consideration of the Bill and agreed its approach to its scrutiny on 22 December 2021.
4. The Committee previously considered the [Valuation and Rating \(Coronavirus\) \(Scotland\) Order 2021](#) ("the Order") in Autumn 2021. The Order specified that in calculating the rateable value of any properties on the 2017 valuation roll after the instrument comes into force, no account can be taken of any matter arising on or after 1 April 2021 that is directly or indirectly attributable to coronavirus.
5. However, the Order could not be applied retrospectively. The primary purpose of the Bill therefore, is to extend this rule to cover both net annual value and rateable value and to cover the period back to 2 April 2020, the date on which the Scottish Government amended the definition of "material change of circumstances" to exclude changes in economic circumstances.
6. The Stage 1 deadline is 29 April 2022.

Background

7. Non-domestic rates are a property tax based on the rateable value of a property. The non-domestic rates (or 'business rates') bill for a property is

calculated by reference to the rateable value, although a number of different reliefs are available for certain types of property and for those with a lower rateable value.

8. There are over 250,000 non-domestic properties registered on the valuation roll. Non-Domestic Rates are an important source of revenue for local authorities. In 2022-23, they are estimated to raise £2.8 billion, although this includes the effect of a continued package of rates reliefs reflecting the ongoing impact of the coronavirus pandemic. In future years, they are estimated to generate in excess of £3 billion in revenue.

9. For most properties, rateable value is based on an estimate of the rental value of the property. Assessors take rental values from the same point in time, known as the 'tone date'. For current valuations this was 1 April 2015. The next tone date will be 1 April 2022.

10. If an owner, tenant or occupier disagrees with the rateable value that has been entered on the valuation roll for their property, they can lodge an appeal to the Assessors.

11. An appeal can be lodged at any time in the revaluation cycle if the appellant considers there to have been a material change of circumstances (MCC) or an error.

12. Between 1 January 2020 and 31 March 2021, over 40,000 properties had an appeal lodged in relation to the impact of COVID-19 or COVID-19 restrictions. These appeals would be on the grounds of an MCC.

The Order

13. The Order provided that in calculating the rateable value of properties in the 2017 valuation roll, no account could be taken of any matter arising on or after 1 April 2021 that is directly or indirectly attributable to coronavirus. The rule does not apply to changes to the physical state of a property. Whilst the Order covers the period from 1 April 2021 onwards, it could not make retrospective provision before that date.

14. During its scrutiny of the Order, the Committee took evidence from three panels of witnesses. The meeting papers and official reports can be found via the links below.

- 26 October 2021: [Meeting papers](#) and [Official Report](#);
- 9 November 2021: [Meeting papers](#) and [Official Report](#);
- 16 November 2021: [Meeting papers](#) and [Official Report](#);

15. At its meeting on 16 November 2021 the Committee agreed to recommend to Parliament that the Order should be approved. The Committee's report on the Order can be accessed via the link below:

<https://sp-bpr-en-prod-cdnep.azureedge.net/published/LGHP/2021/11/19/691df01b-c364-4102-87e0-f90fcb1cb415/LGHP062021R3.pdf>

16. The order was subsequently approved by the Parliament and came into force on 1 December 2021.

17. Whilst the Committee was content to recommend approval of the Order, it highlighted a number of issues in its report as follows—

- Consultation: The Committee encouraged the Scottish Government to take the opportunity afforded by the Bill to undertake further consultation with stakeholders on the issues raised by the proposed legislation.
- Principles of Taxation, particularly “certainty” and “engagement”: The Committee did not want the Order to be seen as setting any kind of precedent and sought assurance from the Scottish Government that these principles would apply to the future setting of non-domestic rates policy.
- Workload of Assessors: The Committee asked what was being done to ensure that there are sufficient resources in place to facilitate the revaluation?
- Barnett Consequentials: The Committee asked to be kept updated on what the Scottish Government intended to do to ensure that any additional resources are targeted at those most in need of the support and in particular small and mid-sized enterprises.

18. The policy for the Bill is broadly the same as for the Order. The Bill is required in order to cover any period before 1 April 2021 and the Bill specifies that this will be applicable for the period from 2 April 2020, in recognition of the change to the definition of an MCC under the Non-Domestic Rates (Scotland) Act 2020, effective from that date. The Bill also applies to the calculation of the net annual value of properties, which provides the basis for the rateable value.

Stage 1 Scrutiny

19. Given the level of scrutiny given to the Order, the Committee previously agreed that an extensive programme of evidence taking on the Bill was unlikely to be necessary. It issued a call for views on the Bill in early January in response to which [four responses were received](#).

20. The Finance and Public Administration Committee also issued a call for views in relation to the financial aspects of the Bill in response to which [three responses were received](#).

21. SPICe have published a [blog providing an overview of the Bill](#) and previous scrutiny given to the Order.

Conclusion

22. The Committee is invited to consider the above in its Stage 1 evidence session with the Minister for Public Finance, Planning and Community Wealth.

Clerks
Local Government, Housing and Planning Committee