

# The Burden of Rates Payment

## BRIEFING PAPER

REF: FGB 2020/ 001 | DATE: 18 March 2020



## ***Client Briefing Update: Imminent Changes to the Rating System – are you ready?***

### **The Non-domestic Rates (Scotland) Bill**

The Non-Domestic Rates (Scotland) Bill was approved by the Scottish Parliament on 5<sup>th</sup> February following the recommendations set out in the Barclay Review of the rating system in Scotland. It is set to become the Non-Domestic Rating (Scotland) Act 2020 and will be effective from 1 April 2020. This will have significant implications for businesses and it is imperative that you aware of these changes and seek advice where necessary. I have outlined below the fundamental changes to assist you during this transition.

You may also be aware of the very recent (14<sup>th</sup> March) Scottish Government announcement on rates relief and supporting measures to assist businesses following the Covid-19 outbreak. These will be implemented from 1/4/2020 and be in place for one year. It is anticipated, however, that these measures will be reviewed again following the Chancellor's announcement yesterday (17<sup>th</sup> March) to extend the rates holiday to all firms in the hospitality sector in England & Wales as well as funding grants for small businesses. At the time of writing the Scottish measures include:

- 75% rates relief for retail, hospitality, and leisure sectors with a rateable value of less than £69,000
- 1.6% rates relief for all properties, effectively reversing the planned increase in the poundage rate (from £0.49 to £0.498)
- Fixed rates relief of up to £5,000 for all pubs with a rateable value of less than £100,000

There may also be scope to seek payment deferral from the local authority.

### **Imminent Changes – 1 April 2020**

#### Assessor Information Request Forms

Substantial penalties are to be imposed for failing to respond timeously to information requests (typically relating to rental and cost information). The table below outlines these fines. It is imperative that ratepayers act or seek advice to ensure that fines are avoided. It could be particularly challenging for larger property portfolios and there are concerns about the level of detail required.



Timeframe	Fine
Not returned within 28 days	£200 or 1% of the Rateable Value, whichever is higher
Not returned within 70 days	£1,000 or 20% of the Rateable Value, whichever is higher
Not returned within 84 days	£1,000 or 50% of the Rateable Value, whichever is higher

These fines are cumulative so could equate to 71% of the Rateable Value of the property. There will be an opportunity to appeal against any fine to the local Valuation Appeal Committee, but proactive action to prevent this course of action is clearly prudent.

#### Introduction of the Intermediate Property Rate

Notwithstanding the emergency measures announced, for properties with a rateable value between £51,000 - £95,000, the supplement rate will be restricted to 1.3p in place of 2.6p which will remain for properties in excess of £95,000 rateable value.

#### Small Business Bonus Scheme & Empty Property Relief (Anti-Avoidance Measures)

SBBS will be restricted to occupied properties only and the period of occupation required between two claims for Empty Property Relief will be increased from 6 weeks to 6 months.

However, the following reliefs will be retained and continued to 2022:

- Business Growth Accelerator Relief
- Day Nursery Relief
- Transitional Relief for Aberdeen & Aberdeenshire offices and hospitality subjects with a rateable value under £1.5million

#### **Later Proposed Changes to Reliefs**

- Removal of charitable relief for Independent Schools (**1 September 2020**)
- Devolved Empty Property Relief to local authorities – will be discretionary (**1 April 2022**)
- Removal of 100% Empty Listed Building Relief after two years of being empty (**1 April 2022**)

#### **Changes at Next Revaluation – 1 April 2022**

##### Three Yearly Revaluations

Revaluations will be three yearly rather than five yearly with a one-year “tone” date (values to be based on rental and cost levels prevailing one year prior to the revaluation effective date – a move from two years). This measure will ensure that rateable values are more responsive to changes in market conditions and aligned with real market rents.

##### Appeals System

More frequent revaluations will create problems with appeal disposal timescales. The appeals system will change to a two-stage process. Upon receipt of a revaluation Valuation Notice you will be able to submit a “proposal” to the Assessor detailing the reasons why you do not agree with the proposed assessment. If the Assessor agrees and/or a mutual agreement is reached, then the valuation will be amended accordingly.



If the parties cannot agree then a formal appeal is to be submitted with the intention that this will lead to a formal hearing. A proposal must be submitted by 30<sup>th</sup> June in the year of revaluation which is again likely to be particularly challenging for organisations with multiple properties. In the interests of justice and to ensure that the rating burden is minimised as far as possible, it will be prudent for all ratepayers to check their valuations carefully and seek advice.

It is clear that the rating system in Scotland is on course for profound changes that will affect all ratepayers. I hope you have found this briefing note helpful as it is imperative that you are aware of these reforms and their implications.

There remains a large amount of detail still to be confirmed and further changes are also extremely likely. There is to be a full review of the Small Business Bonus Scheme as well as the Plant & Machinery legislation. We at FG Burnett are here to assist clients with these transitions and will keep you up-to-date.

If you have any questions relating to these changes and would like to seek further advice, then please contact our rating team.

*For further information or advice on Business Rates please contact our Head of Rating, Richard Foster:*

T: 01224 597534

E: [richard.foster@fgburnett.co.uk](mailto:richard.foster@fgburnett.co.uk)