



Briefing for the Public Petitions Committee

Petition Number: [PE01464](#)

Main Petitioner: Mr P Muir on behalf of Colliers International

Subject: Postponement of the 2015 Non-Domestic Rates Revaluation

Calls on the Parliament to urge the Scottish Government to review its decision to postpone the 2015 non-domestic rates revaluation to 2017

Background

All non-domestic properties are assessed by the Scottish Assessors to determine their 'rateable value'. This rateable value, which is broadly based on annual rental values, is the basis for the calculation of the non-domestic rates bill for a property. The other factor in the non-domestic rates bill is the poundage, which is set annually by the Scottish Government. There is also a range of reliefs and exemptions which can reduce the non-domestic rates bill for a property.

The assessment of rateable value is made with reference to a specific date (the Tone Date), so that all properties are valued at the same point in time. The Scottish Assessors undertake regular revaluations to ensure that relative movements in property prices are reflected in non-domestic rates bills. Revaluations have taken place in Scotland every five years, with a legal requirement for this set out in the [Local Government \(Scotland\) Act 1975](#) (section 37(1)). Historically, Scottish revaluations have taken place at the same time as revaluations in England and Wales, with the most recent revaluation being in 2010. The Tone Date is set two years in advance of the date from which the revaluation takes effect to allow Assessors sufficient time to collate and validate rental evidence from all ratepayers. The Tone Date for the 2010 revaluation was 1 April 2008.

For the UK Government, the aim of each revaluation has been to redistribute the same overall business rates bill to businesses, rather than to raise additional revenue. The UK government has adjusted the poundage (or multiplier) so that the overall national business rates bill remains the same after revaluation as before. The current Scottish Government has committed to setting the poundage rate no higher than that set in England.

UK Government Action

The next revaluation had been expected in 2015. However, on 18 October 2012, the UK Government announced that it was proposing to delay the next revaluation in England until 2017. [Announcing this decision](#), the Parliamentary Under Secretary of State for Communities and Local Government stated that:

“This decision will avoid local firms and local shops facing unexpected hikes in their business rate bills over the next five years. As business rates are linked to inflation, there will be no real terms increase in rates over this period. This reform will provide certainty for business to plan and invest, supporting local economic growth.

Since the last revaluation (based on 2008 valuations), the economy and property market have faced exceptional changes. A revaluation at this point would be likely to result in sharp changes to business rate bills in many parts of the country and in many sectors. Tax stability is vital to businesses looking to grow and help improve the economy.

The Government is committed to maintaining up to date rate bills through regular five yearly revaluations in England which will resume after 2017, once the economy has had a chance to recover fully from the financial and fiscal crisis this Government inherited from the last Administration.”

This means that the next revaluation will come into force on 1 April 2017 based on values fixed at 1 April 2015 (the Tone Date).

UK Parliament Action

Clause 22 of the UK Government’s [Growth and Infrastructure Bill](#) provides for the postponement of the 2015 revaluation and sets a new revaluation date of 1 April 2017, reverting to a five-yearly cycle of revaluations thereafter.

Concerns over the postponement of the 2015 revaluation were raised during a [Westminster Hall debate](#) on the issue of business rates on 30 October 2012. For example, Peter Aldous (Conservative MP for Waveney) commented:

“Any decision to postpone the five-yearly revaluation review needs more consideration, scrutiny and consultation. I note that the British Chambers of Commerce was taken by surprise by that postponement. I hope that as the Growth and Infrastructure Bill progresses through Parliament, we have the opportunity to consider the matter in more detail. Any property tax requires frequent revaluations to ensure acceptability and fairness. The five-yearly reviews that have been in place for more than 20 years are well understood and provide a level of certainty. A break in that precedent creates an air of uncertainty—people will not know whether a review will take place.

It is also important to take into account that relative property values change over time. Relatively, rents in some sectors and locations will rise, while those in others will fall. It is important that the rating system has an in-built review system that reflects the dynamic nature of the property marketplace. We can then be sure that the tax burden is spread fairly—that those with the broadest shoulders pay the most, and those whose business may not be as profitable at a particular time pay less. Liz Peace, the chief executive of the British Property Federation, sums it up well:

“A revaluation should shift the burden from those who are suffering to those who are prospering.”

With the proposed freeze, there is concern that those in lucrative locations will benefit and those in hard-hit areas will suffer.

Commenting on the delay to the revaluation, the Parliamentary Under Secretary of State for Communities and Local Government [said](#):

“The last revaluation was based on April 2008 valuations and rents set at the height of an unsustainable property boom. Since then, the economy and property market have faced exceptional changes. Rents have fallen since that property boom. Some groups have assumed that falling business rents would entail falling business rates. However, this is not the case. While aggregate rateable values have fallen, this would automatically be offset at the revaluation by a higher rating multiplier. Firms would just be required to pay a higher proportion of their rateable value.”

Scottish Government Action

On 27 November 2012, the Scottish Government announced that it also planned to delay the next revaluation. The Scottish Government [announced](#) its intention to postpone the revaluation alongside its announcement of a wider review of non-domestic rates:

"Following the UK Government's decision to delay the revaluation in England to 2017 we will ensure our commitment to a competitive business environment is not undermined so we will match that date and reform the business rates system. We will undertake the next revaluation as part of a wider examination of business taxes available to us under independence, ensuring Scotland maintains our competitive edge compared to other parts of the UK."

The [consultation document](#) linked to the review of non-domestic rates states that:

“The next revaluation in 2017 brings with it an opportunity and we will use this time productively to thoroughly and comprehensively review the rating system, listen to business and act on the outcomes of this

consultation. Any changes to the rating system resulting from this consultation will be put in place in time for the next revaluation and where early actions can be identified and funded these will be implemented.”

The consultation period concludes on 22 February 2013.

Scottish Parliament Action

In his statement on the [Local Government Finance Settlement 2013-14](#), the Cabinet Secretary for Finance, Employment and Sustainable Growth said:

“The next revaluation would normally take place in 2015, but, as Parliament knows, the United Kingdom Government has taken the decision to delay its next revaluation to 2017. That decision creates a set of circumstances that could undermine our commitment to match the poundage rate south of the border. Given that for many years before we took office business rates were set at a higher level than in the rest of the UK, I believe that that danger must be avoided. I confirm, therefore, that the date of the next revaluation will be 2017. The Scottish Government is confident that by that stage we will have a range of economic powers achieved through independence that can create further competitive advantages for businesses in Scotland.”

Following the statement, Margaret Mitchell MSP asked in relation to the decision to delay the 2015 revaluation:

“First, who specifically was consulted on that decision? Secondly, why has there been no public consultation in advance of the decision being taken?”

The Cabinet Secretary responded as follows:

“Clearly, as I have set out, my decision on the business rates revaluation was taken for the reason of ensuring that we can fulfil our commitment to match the English poundage for the duration of this parliamentary session. That was the commitment that we made to the people of Scotland in our election manifesto.

On the question of public consultation, the regulatory provisions that need to be put in place to delay a revaluation will be subject to parliamentary scrutiny and dialogue within Parliament. Of course, that gives rise to consultation in that respect.”

A draft [Scottish Statutory Instrument](#) subject to affirmative procedure has been laid which needs to be brought into force in order for the date of the next revaluation to be amended. The Scottish Parliament’s Subordinate Legislation Committee considered the order on [19 February 2013](#) and will now be considered by the Local Government and Regeneration Committee.

The order would postpone the 2015 revaluation to 2017, following which the five-yearly cycle of revaluations would be reinstated.

Other devolved administrations

The Welsh Government has not yet reached a decision in relation to the date of the next revaluation. The Northern Ireland Assembly plans to proceed with a 2015 revaluation, having postponed and then cancelled its 2010 revaluation (although the ratings system in Northern Ireland is very different and covers both domestic and non-domestic properties).

Nicola Hudson
Senior Research Specialist
21 February 2013

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