

Briefing for the Public Petitions Committee

Petition Number: [PE1794](#)

Main Petitioner: Christopher Walls

Subject: New eligibility criteria for the Small Business Bonus Scheme

Calls on the Parliament to urge the Scottish Government to expand the eligibility criteria for the Small Business Bonus Scheme to ensure that small businesses can benefit from it, no matter what their location.

Background

The [Small Business Bonus Scheme](#) (SBBS) provides a general scaled reduction of rates for certain properties (provided that they are not used for payday lending). Eligibility and the value of the relief is based on the rateable value of the property. Ratepayers must apply for SBBS through their local council by completing an application form.

Businesses can get non-domestic rates relief through the Small Business Bonus Scheme if:

- the combined rateable value of all owned/rented business premises is £35,000 or less
- and, the rateable value of individual premises is £18,000 or less

From 1 April 2020, SBBS relief will only be available for properties that are actively occupied.

Annual changes to the SBBS banding and rates is confirmed in the [Local Government Finance Circulars](#) which accompany the Budget process.

Based on the total (cumulative) rateable value of all owned/rented non-domestic premises, the following relief is available:

- total rateable value up to £15,000 - 100% relief (no rates payable) on each individual property
- total rateable value of £15,001 to £35,000 - 25% relief on each individual property with a rateable value of £18,000 or less

Ratepayers can save a maximum of £7,350 in 2019-20 and £7,470 in 2020-21.

The Scottish Government sets out [Non-Domestic Rates relief statistics](#) annually. As at 31 May 2019, 36% of all Non-Domestic Rates relief awarded was accounted for by SBBS. There were 120,420 recipients of SBBS relief at the snapshot date in 2019, 6,480 more than at the same time in 2018. The value of SBBS relief awarded was £266m, up from £248m at the same time in 2018.

Barclay Review

Recommendation 7 of the Barclay Reviews of Non-Domestic Rates set out that “the effectiveness of the Small Business Bonus Scheme should be evaluated.”

The following paragraphs detail the findings and recommendation in full:

“4.33 The Small Business Bonus Scheme (SBBS) was introduced by the Scottish Government to support economic growth. Considerable anecdotal evidence was presented to us to suggest that it has provided vital assistance to many small businesses. However, the case was also made to us that, as the policy has been in place for a decade with over £1.3 billion of public funds committed, the time was right for it to be formally evaluated.

4.34 A commonly made point to us was that some small businesses in receipt of SBBS would be happy to make a modest annual contribution to the local services they receive (amounts of £500 or £1,000 a year depending on size was suggested to us by several current SBBS recipients). One participant in the consultation process even referred to some local villages where no businesses paid any rates as 'rates deserts' and others noted businesses who paid no contribution to local services were to some extent disconnected with their local council and community as a result.

4.35 Some misuse of the Scheme is also apparent (see recommendation 22).

4.36 An evaluation should consider recent policy developments in Northern Ireland, where the equivalent relief was evaluated but found to be misdirected and it was suggested it be replaced with a relief more targeted on town centres. It should therefore include a discussion of whether the current scheme could be adapted to better support towns or include some element of incentivisation in order to promote desirable economic activities (such as paying the living wage, carrying out investment or offering modern apprenticeships).

4.37 The evaluation should also consider i) how the SBBS can best be targeted to support local investment, employment and growth (see

Annex C4) and ii) the merits of giving councils some autonomy in the design of any reformed SBBS in their areas (see Annex C5).

Cost. There will be modest costs associated with an evaluation if this is carried out independently. The costs will depend on the breadth and scope of the review carried out but should not be more than a few tens of thousands of pounds.

Implementation. This should be a substantive review, taking on board the views of ratepayers (including those who became newly eligible for the relief following the expansion of the scheme in 2017) and should be initiated as soon as possible with any findings implemented in time for the next revaluation in 2022.”

Scottish Government Action

The Scottish Government has commissioned a review of SBBS which is ongoing. Its website states:

“The Barclay Review recommended that the effectiveness of SBBS be evaluated. We accepted this recommendation and commissioned the Fraser of Allander Institute (FAI) in June 2019 to carry out an independent review of the scheme.

The overall aim of the review is to evaluate what the impact of SBBS has been and whether it can be better targeted to support local investment, employment and growth.

It’s key objectives are:

- to understand who is getting the relief
- to assess the impact of the scheme on relief recipients and identify wider benefits and costs
- to consider whether the current scheme could be improved

The FAI is set to report in 2020”

Scottish Parliament Action

The Local Government and Communities Committee took evidence from the Scottish Government on the Barclay Review, which included discussion of SBBS on [17 January 2018](#).

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27/02/2020

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