

PE1794/B

Petitioner submission of 17 August 2020

In response to the Scottish Government's submission 4th August 2020.

It should be noted that the Scottish Government's own web site also refers to non-domestic rates as business rates. As non-domestic rates are a tax on business premises most people view them as a business tax. The Small Business Bonus Scheme was envisaged to help small businesses by reducing the amount of tax they paid, however, as no effort is made to check the actual size of eligible businesses the name of the scheme is at best erroneous.

In the 2019-20 120,000 properties benefited from the Small Business Bonus Scheme with the total relief valued at £272 million. However, as the Scottish Government's own submission notes they make no checks on the size of the businesses who apply for the scheme. A more concise description would be that 120,000 properties with a low rateable value benefited from a further reduction in business rates. The rateable value of a business's premises is no indication of the size of the business.

Basing SBBS solely on rateable value unfairly penalises small retail and hospitality businesses from receiving support as they are more likely to have premises in high rental areas. The system is far from transparent as it is skewed towards benefiting office-based businesses of indeterminate size. There is no way at present to check whether an eligible business is a small business.

A new system should be developed where businesses who apply can self-certify that they meet the criteria for being a small business and as such are eligible for the scheme. Only non-small businesses with premises with a low rateable value who are eligible at present would be affected by this change. Applicants would not need to provide evidence that they meet the new small business criteria and need only sign a document for anti-fraud purposes. This is used at present when a business certifies that they do not have additional properties when applying for SBBS. Councils already operate a whistleblowing service to report business rates fraud.

A mechanism would be introduced to allow small businesses with a high rateable value to supply additional evidence to be eligible for the scheme. Therefore, only a small proportion of applicants would need to supply additional information keeping the administration costs of the scheme low. An example of additional information could be a letter from their Accountant confirming the size of the business.

A new set of eligibility criteria could easily be created which does not offer any perverse incentives as suggested in the Scottish Government's submission. However, it should be noted that the present system has a perverse disincentive by dissuading small businesses from operating premises in premium shopping areas. This can limit the growth of a small business and reduce competition.

Another aspect of the scheme which should be changed is how a business leaves SBBS. If a small business leaves SBBS then it should be a stepped increase over several years to allow the business to adjust to the new amount of non-domestic rates being paid. At present it is simply a cliff edge and such a drastic change in

costs has resulted in successful small businesses being forced to close with the loss of tax revenue and jobs.

I would like to take this opportunity to highlight to the Committee how important SBBS is for the growth of a small business. Since leaving SBBS the growth of my business has slowed drastically, however I consider myself fortunate that it was strong enough to survive the shock of the increased rates, many have not been as fortunate.

I would also like it noted in reference to the Scottish Government's submission that my business has never received 100% rates relief. Pre-2017 my rateable value was £12,000 and as such I received a 50% discount on my non-domestic rates which the relief available at that time.