

NON-DOMESTIC RATES (SCOTLAND) BILL

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS AFTER STAGE 2

1. SCDI's 2015 Blueprint for the Scottish Economy, *From Fragile to Agile: A Blueprint for Growth & Prosperity*, recommended review and reform of Scotland's system of non-domestic rates to reflect changes in the economy and to better support business investment and growth. SCDI therefore welcomed the launch of the Barclay Review in 2017, gave detailed evidence along with many of our members and other stakeholders from across the Scottish economy, and broadly welcomed its recommendations. This ultimately led to the Non-Domestic Rates (Scotland) Bill.
2. SCDI has engaged with decision-makers and stakeholders throughout this process in support of the stated objectives of the Bill to:
 - a. "Deliver a non-domestic rates system designed to better support business growth and long-term investment and reflect changing marketplaces."
 - b. "Improve ratepayers experience of the rating system and administration of the system."
 - c. "Increase fairness and ensure a level playing field amongst ratepayers by reforming rate reliefs and tackling known avoidance measures."

After Stage 2 of its progress through the Scottish Parliament, the Bill includes a number of positive measures which reflect our members' priorities and the conclusions of the Barclay Review, including more frequent revaluations.

3. However, we are concerned with the Committee's decision to back Amendment 9, which would abolish the Uniform Business Rate (UBR) and give local authorities the ability to set the poundage rate, reliefs and any local supplements or levies. Amendment 9 is contrary to the stated objectives of the Bill. Its implementation would result in increased complexity for and a lack of a level playing field amongst ratepayers across Scotland, damaging the prospects for investment and growth by small, medium and large businesses at a time of economic upheaval and uncertainty. Thirty-two different approaches across 32 local authorities will lead to a more fragmented, less predictable and less business-friendly system.
4. SCDI called for the introduction of a Uniform Business Rate for many years and has consistently supported it since then. Prior to the introduction of the Uniform Business Rate across the UK when local authorities had the ability to set their own rates, poundage rates across Scotland varied significantly, and were significantly higher than in England – as the table below illustrates. This resulted in higher costs, unnecessary complexity and weaker competitiveness for Scottish businesses. This was a major concern for many businesses. We do not believe that this is the time to risk the level playing field between businesses in Scotland and the rest of the UK in terms of their non-domestic rates. We are also concerned that there would be a disproportionate impact on businesses in rural areas and property-intensive, high-employment sectors, such as retail, with potentially harmful effects for workers, consumers and local residents.

Table 1 – Illustration of the variation in poundage rates in Scotland during 1994/95 (prior to the introduction of the UK UBR)

Regional/Local Authority Area	Poundage Rate
<i>Borders</i>	42.7
<i>Central</i>	47.8
<i>Dumfries & Galloway</i>	43.9
<i>Fife</i>	48.4
<i>Grampian</i>	42.8
<i>Highland</i>	45.1
<i>Lothian</i>	49.8
<i>Strathclyde</i>	50.9
<i>Tayside</i>	48.2
<i>Orkney</i>	41.6
<i>Shetland</i>	41.6
<i>Western Isles</i>	51.4
SCOTLAND AVERAGE	48.5
ENGLAND AVERAGE	42.3

(Source: Scottish Office)

5. SCDI recognises the fiscal challenges facing local authorities and the need to adequately fund high-quality public services to support social and economic prosperity. However, a less vibrant economy will over time generate lower receipts for investment and depend on a smaller number of businesses to make up the difference.
6. SCDI believes that fiscal and economic policies should be fully informed by evidence and discussions with organisations across the Scottish economy. There has clearly been a lack of scrutiny of and consultation on the proposal to abolish the Uniform Business Rate, leading to a lack of insufficient consideration of the anticipated and potential impacts of such a shift in policy on businesses, communities and the wider economy across Scotland.
7. SCDI therefore calls on MSPs to preserve the Uniform Business Rate and pass the Bill without Amendment 9.