

PE1794/A

Scottish Government submission of 4 August 2020

Thank you for providing the Scottish Government with the opportunity to comment on the above petition.

The Scottish Government notes that Mr Walls, who previously benefited from 100% rates relief under the Small Business Bonus Scheme (SBBS) prior to 2017, now ceases to benefit.

The petition suggests that the Small Business Bonus Scheme should include a wider eligibility criteria rather than the rateable value of the property, offering tax relief to any small business with at least one of the following:

- a turnover of not more than £632,000
- a balance sheet total of less than £312,000
- on average, fewer than 10 employees.

Currently Over 120,000 properties across Scotland receive SBBS, of which 111,000 receive 100% relief, the total value of SBBS relief awarded in 2019-20 was £272 million.

It is important to note from the outset that although Non-Domestic Rates are often erroneously referred to as business rates, they are not in fact a tax on business rather they are a tax on the occupation of non-domestic properties. As such they are not intended to reflect the turnover, profitability or number of employees at that property.

Details on turnover, balance sheets and employee numbers are not held by any of the public bodies currently involved with the business rates system in Scotland and to require businesses to submit this to local authorities creates an additional burden on both businesses and councils.

One of the main benefits of the current Small Business Bonus Scheme is its relative simplicity and ease of application process for both the businesses who benefit and the local authorities who administer the scheme. Costs of administering a new scheme using the criteria suggested to local authorities is unknown, but are likely to be significant.

The Scottish Government also have no data on how a change in criteria will impact on businesses across Scotland, but it would be inevitable that while some businesses may fall into the SBBS who previously did not, some may fall out.

Because of this uncertainty on number of businesses who would be eligible under any new criteria, the costs of such a scheme to the public purse are unknown, but are potentially very significant if large number of business became newly eligible.

Moreover we are not convinced such a significant reform would be beneficial to business. The current scheme is based solely on the rateable value of a property and this is fair and transparent to all. The rateable value of any property is publically

available and can be found at www.saa.gov.uk, so all businesses can search the criteria on which any other business is accessed for SBBS eligibility, including its competitors. As such, the system is transparent. To base entitlement on information which is not publically available, such as turnover, significantly reduces that transparency.

Perverse employment incentives could be created by including staff numbers, for example a business with just over 10 staff could lay off a small number of these to qualify for rates relief.

Finally, as you may be aware, in June 2019 the Scottish Government commissioned the Fraser of Allander Institute (FAI) to carry out an independent review of the SBBS.

Due to the coronavirus (COVID-19) pandemic, the FAI is now set to report in Spring 2021 and the Scottish Government and it would be inappropriate to introduce significant reforms in advance of that report.

I trust this information is helpful,