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To whom it may concern,

As you will be aware, the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay, presented the Scottish Budget to the Scottish Parliament today.

In the spirit of the Barclay Review which calls for the provision of better information on non-domestic rates and for the Scottish Government to explain changes to the rating system, I would like to take this opportunity to highlight the relevant measures announced.

Last year we delivered the number one ask of Scottish businesses when we matched the English rates multiplier and raised the poundage by CPI, not RPI. In 2019-20, we are going further and will increase the poundage from 48.0p to 49.0p– a below inflation increase of 2.1 per cent. This decision will save Scottish businesses £35 million compared with the previous published plan for a RPI increase, and will ensure that over 90 percent of properties in Scotland pay a lower poundage than they would in any other part of the United Kingdom.

Our dedication to delivering a rates regime which is fair, sustainable and competitive will continue into 2019–20. We will continue to deliver the most generous package of reliefs available anywhere in the United Kingdom, worth an estimated £750 million in 2019-20, up from £732 million in 2018-19.

We are also introducing a new 100% relief for new fibre lit on or after 1 April 2019, available for a ten-year period to March 2029. This relief, which is 5 years longer than any of the equivalent reliefs in the UK, will assist in our aim to deliver superfast broadband access to 100% of premises in Scotland by 2021.

Our Small Business Bonus Scheme (SBBS) continues to be a success by lifting over 100,000 recipients out of rates altogether and providing a record relief to over 119,000 businesses across Scotland this year. This represents an 85% increase in the number of premises receiving the relief since it was introduced in 2008-09 offering an average saving per property of £2,127 in 2018-19. Despite this success, we have accepted the Barclay

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Review recommendation that SBBS should be evaluated, with any recommendations to be addressed in time for the next revaluation in 2022. Details of the evaluation will be announced in 2019.

The Scottish Government will further continue to support business as part of our commitment to inclusive economic growth by maintaining a number of popular reliefs which were welcomed by businesses in 2018. These include the Business Growth Accelerator, which encourages new business investment by temporarily suspending rates liabilities for new builds and improvements made on existing buildings. We are also maintaining the Day Nursery relief which provides a 100% relief to all eligible day nurseries. This reduces the costs of early learning and childcare to promote longer term benefits for children and young people offering them the best possible start in life.

Finally, we committed earlier this year to maintaining transitional relief to the next revaluation in 2022, delivering a year-on-year 12.5% cap on the increases in individual rates bills for the all but the largest premises in the hospitality sector, and offices in Aberdeen and Aberdeenshire.

We are committed to implementing the agreed recommendations of the independent Barclay Review as a matter of priority. Ministers are carefully considering and reflecting on all the information received from the recent Barclay consultation, stakeholder engagement sessions and input from the Barclay Implementation Advisory Group with the aim of reaching a concluded view on the way forward in early February 2019. We are also continuing to work with councils and Assessors to progress the administrative changes of the Barclay Review, including on standardised billing.

However, after listening to feedback from stakeholders, I can confirm today that we have decided not to take forward the Barclay recommendation to introduce an out-of-town levy in the forthcoming Non-Domestic Rates (Scotland) Bill.

Alongside these, the Cabinet Secretary has announced changes to the rates and bands in place for non-residential Land and Buildings Transaction Tax (LBTT) and the Scottish Government's intention to introduce investment related LBTT reliefs following further consultation.

The Scottish Government will reduce the lower rate of non-residential LBTT to 1 per cent, increase the upper rate to 5 per cent, and reduce the starting threshold of the upper rate to £250,000. Taken together, these changes mean that non-residential LBTT rates and bands are the most competitive in the UK for all non-residential transactions. These changes are proposed to come into force from 25 January 2019, but will not apply if the contract for a transaction was entered into prior to 12 December 2018.

In addition, in order to safeguard the investment in, and the development of, Scottish real estate and to further increase the attractiveness of Scotland as an investment destination, the Scottish Government plans to introduce two targeted reliefs over the course of 2019 following further consultation. These are: a relief for the 'seeding' (initial transfer) of properties into a Property Authorised Investment Fund (PAIF) or Co-owned Authorised Contractual Scheme (CoACS); and a relief for when units in CoACS are exchanged. This decision follows an initial consultation exercise in summer 2018. A consultation on draft legislation and potential impacts will be published once there is sufficient clarity on the terms of the UK's withdrawal from the EU.

I greatly value the important contribution of businesses to the Scottish economy and look forward to engaging further with you in future to ensure that Scotland provides the best possible environment for businesses.

KATE FORBES