

Finance and Constitution Committee Questionnaire

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by the [Non-Domestic Rates](https://www.parliament.scot/parliamentarybusiness/Bills/111337.aspx)<https://www.parliament.scot/parliamentarybusiness/Bills/111337.aspx> (Scotland) Bill FM.

In addition to the questions below, please add any other comments you may have which would assist the Committee's scrutiny of the FM.

Comments by the Scottish Property Federation

The Scottish Property Federation (SPF) is a voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers. In total we number over 185 businesses and organisations with Scottish real estate industry interests.

Consultation

1. Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

The Scottish Property Federation did engage with the consultations made prior to the Non-domestic Rates (Scotland) Bill. This included making representations and engaging with the Barclay Review. Although we did comment on certain financial implications of the Review's proposals and recommendations, we did not necessarily comment in the areas of the costs highlighted by this financial memorandum.

2. If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

Broadly, yes on the comments we made.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

The Bill will include costs for our members in terms of administrative compliance. However, more costs are expected in relation to changes to vacant listed buildings and the removal of empty property rate relief for these buildings, where they have been vacant for five years, from April 2022.

We have responded to the Local Government & Communities Committee to state that it will be important for an effective timescale to be introduced to allow ratepayers to make any appropriate appeals on their proposed rateable values. If unnecessary costs are to be avoided then this should follow an effective period of time for ratepayers and their advisers to consider the draft rateable valuations prepared by the Scottish Assessors in advance of a new Revaluation. If ratepayers do not have an appropriate time to consider their proposed rateable valuations, then it is likely they will seek to submit 'protective' proposals for appeal which will add costs to the process.

In the context of a shorter revaluation period, the shorter timescales for making proposals to appeal against rateable values mean that to be effective, the notification of draft valuations and preceding period for gathering evidence from ratepayers must be earlier in the revaluation cycle than it has been under the present system.

We believe this procedural aspect of the new revaluation system must not be overlooked. It is important that we achieve a more transparent system supported by trust between ratepayers, assessors and advisers if we are to make the three-year cycle work to the benefit of the public administration and ultimately, for the taxpayer as well.

5. Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

The estimate of some £25.8m of penalties for the new process of information requests is a significant increased cost for ratepayers. We accept that it is clear from the experience of past consultations, that it is hugely important for the Scottish Assessors to gain as accurate a picture as possible of the commercial property market. But it would be unfortunate if the potential revenue from penalties became a target in its own right.

Our members have also expressed some concern at the potential for confusion with separate penalties levied by both local authorities *and* the Scottish Assessors. Although the Bill and Policy memoranda explain the differences, there is nonetheless the danger of duplication and uncertainty for ratepayers.

6. If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

Not applicable.

7. Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?

We believe that the FM provides a well founded estimate of costs and timescales. There are up-front costs and risks associated with the Bill and the reorganisation of the revaluation process and procedures. But in time there should come to be savings

in the longer term as more frequent revaluations bring rating assessments more in line with both the property market and the economy.

Wider Issues

8. Do you believe that the FM reasonably captures any costs associated with the Bill? If not, which other costs might be incurred and by whom?

We note the caveats expressed by the Scottish Assessors Association on the potential for unforeseen costs associated with ICT investments, potential wider policy reform implications (council tax, or land valuation reforms) and staff costs. Ratepayers will also face unknown costs in terms of more frequent compliance burdens and potentially, a greater use of penalties than is currently the case.

We believe that Scotland could achieve a much more efficient and integrated property market data system to underpin property-based taxation. Currently the Scottish Assessors produce valuations on the NDR valuation roll, which will move to a three-yearly system. A separate transactions-based database of LBTT and ADS returns is retained by Revenue Scotland, including lease transactions. Indeed, Revenue Scotland are also responsible for enforcing three-yearly LBTT commercial leases reassessments by taxpayers. The retention of separate authorities to collect similar commercial rental information feels to us to be a missed opportunity for Scotland to find efficiencies in its taxation assessment and collection processes.

The Finance Committee may wish to consider the implication of a revaluation cycle that will more closely reflect the commercial property rental market of the day. Of the nominal rateable value across Scotland, the retail sector accounts for at least £1.6bn. The continuing pressures on the retail sector which are seeing larger properties made empty and often in administration, could have significant implications for the Non-domestic rates revenue in Scotland in the next series of revaluations.

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

The Bill introduces a power to introduce fees for making a proposal to change a rateable valuation. This fee is for the right to challenge a tax assessment, which is not a policy we support. The level of fee is not specified and therefore this is a potential future unknown cost for ratepayers that could be introduced via subordinate legislation.