

Citizen Participation and Public Petitions Committee

11th Meeting, 2023 (Session 6), Wednesday
28 June 2023

PE2019: Withdraw rates relief under the Small Business Bonus Scheme from Holiday Let Accommodation

Petitioner	Alan McLeod
Petition summary	Calling on the Scottish Parliament to urge the Scottish Government to prevent all owners of self-catering holiday accommodation from obtaining rates relief under the Small Business Bonus Scheme.
Webpage	https://petitions.parliament.scot/petitions/PE2019

Introduction

1. This is a new petition that was lodged on 12 April 2023.
2. A full summary of this petition and its aims can be found at **Annexe A**.
3. A SPICe briefing has been prepared to inform the Committee's consideration of the petition and can be found at **Annexe B**.
4. Every petition can collect signatures while it remains under consideration. At the time of writing, 16 signatures have been received on this petition.
5. The Committee seeks views from the Scottish Government on all new petitions before they are formally considered. A response has been received from the Scottish Government and is included at **Annexe C** of this paper.

Action

The Committee is invited to consider what action it wishes to take on this petition.

Clerk to the Committee

Annexe A

PE2019: Withdraw rates relief under the Small Business Bonus Scheme from Holiday Let Accommodation

Petitioner

Alan McLeod

Date Lodged:

22/03/2023

Petition summary

Calling on the Scottish Parliament to urge the Scottish Government to prevent all owners of self-catering holiday accommodation from obtaining rates relief under the Small Business Bonus Scheme.

Previous action

I have engaged with Highland Council and my local MSP.

Background information

All owners of "Self-catering holiday accommodation" should be refused the Small Business Bonus. All of us. This would mean that we would all be paying our way. This is only fair if we are all in this mess together. It would put us all onto a level playing field. Those operators who could not survive a rates bill should be eliminated from the market so that those of us who can survive can flourish and improve our quality and market price earned.

We should be net contributors to the Scottish economy. All of us; not just a few of us. By setting arbitrary sales targets of 70 days, the State is effectively redistributing rates from elite, high value, low volume operators to those inefficient operators applying for and receiving rates relief. This is not a legitimate Pareto Redistribution and therefore strikes at the heart of what the World Trade Organisation defines as Market Efficiency. The State should completely withdraw from this sector and ask us all to pay our rates.

Annexe B



The Information Centre
An t-Ionad Fiosrachaidh

Briefing for the Citizen Participation and Public Petitions Committee on petition [PE2019](#): Withdraw rates relief under the Small Business Bonus Scheme from Holiday Let Accommodation, lodged by Alan McLeod

Brief overview of issues raised by the petition

The petition calls for all properties that are used for “self-catering holiday accommodation” to be barred from qualifying for the Small Business Bonus Scheme. This scheme reduces the amount of non-domestic rates payable and often exempts properties from being liable for non-domestic rates altogether.

The petitioner argues that this would create a “level playing field” for higher value properties that do not qualify for the scheme.

How non-domestic rates work

In Scotland, non-domestic rates are paid by owners, tenants or occupiers of non-domestic properties, such as shops, offices, hotels, factories and self-catering holiday accommodation. A property is classed as a self-catering holiday accommodation for non-domestic rates purposes if in any given tax year:

- it is available to let for at least 140 days, and
- it is let for a total of 70 days or more.

The amount of rates payable is determined by a four step process:

- 1) Multiplying the rateable value of a property by a tax rate known as ‘poundage’ (set by Scottish Government ministers). The rateable

value is determined by independent assessors and is generally based on an estimate of the rental value of the property.

- 2) Deducting any reliefs (ie. discounts).
- 3) Subtracting adjustments for overpayments already made.
- 4) Adding adjustments, such as money owed from previous underpayments.

This petition relates to step 2.

Non-domestic rates relief

There are [several relief schemes](#) that reduce or eliminate the amount of non-domestic rates payable. These include Rural Rate Relief, relief for registered charities and Day Nursery Relief. This petition relates to a specific relief scheme - the Small Business Bonus Scheme (see below).

Local authorities can set their own relief schemes, but most are set by Scottish ministers using secondary legislation. See [The Non-Domestic Rates \(Levying and Miscellaneous Amendment\) \(Scotland\) Regulations 2023](#) for the latest amendments by Scottish ministers.

Small Business Bonus Scheme (SBBS)

The SBBS offers non-domestic rate discounts for properties of low rateable value. It is the most common form of rates relief and in 2022-23, it accounted for [72% of all reliefs awarded](#).

Ratepayers may be eligible for the SBBS if the following applies:

- the combined rateable value of a ratepayer's business premises is £35,000 or less,
- the rateable values of individual premises are £20,000 or less,
- the property is actively occupied.

There is no link between the qualifying criteria for SBBS and the criteria used to determine whether a property is classed as a self-catering holiday accommodation. The petition refers to "arbitrary" sales targets of 70 days, which is a reference to the 70 day rule above and has no relation to whether SBBS applies.

The SBBS offers discounts up to 100% on non-domestic rate bills. The amount of discount available depends on the rateable value of the property or properties that a ratepayer is liable for.

A taper rate is in place to prevent a “cliff edge”, whereby properties just below the qualifying threshold receive 100% discount and properties with a rateable value just above the threshold receive no discount.

The scheme is not available to advertising billboards, car parks, betting shops and payday lending businesses.

This petition would add “self-catering holiday accommodation” to the list of properties unable to qualify for the SBBS.

The petitioner argues that *“those operators who could not survive a rates bill should be eliminated from the market so that those of us who can survive can flourish and improve our quality and market price earned.”* The implication is that the petitioner believes the SBBS disadvantages self-catering holiday accommodation providers that are ineligible for SBBS, so SBBS should therefore not be offered to any self-catering holiday accommodation to create what the petitioner describes as “a level playing field”.

“Pareto Redistribution”

The petition also refers to “Pareto Redistribution”. In economic theory, a Pareto optimal outcome occurs when it is not possible to make an individual better off without making another worse off. This implies that resources have been allocated efficiently (if not equitably). A Pareto Optimal Redistribution is a contested and theoretical idea in economics that it is optimal for the state to redistribute resources because individuals’ utility is linked and better off citizens themselves gain from redistribution, despite paying more in taxes than they receive back from the state. Note that this is a theoretical argument about economic efficiency, not a value judgement about progressive taxation in general.

It is possible that the petitioner’s reference to “Pareto Redistribution” is an argument that the non-domestic rates system for self-catering holiday accommodation is not an efficient tax.

Rob Watts
Senior Researcher
5 May 2023

The purpose of this briefing is to provide a brief overview of issues raised by the petition. SPICe research specialists are not able to discuss the content of petition briefings with

petitioners or other members of the public. However, if you have any comments on any petition briefing you can email us at spice@parliament.scot

Every effort is made to ensure that the information contained in petition briefings is correct at the time of publication. Readers should be aware however that these briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

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Annexe C

Scottish Government submission of 10 May 2023

PE2019/A: Withdraw rates relief under the Small Business Bonus Scheme from Holiday Let Accommodation

Thank you for the opportunity to respond to the above petition regarding the Small Business Bonus Scheme and Holiday Let Accommodation.

Non-domestic rates are a form of property tax which help pay for local council services. Where a property is made available for short-term lets of self-catering accommodation, it may be liable for non-domestic rates depending on the number of days it is used and available for use. From 1 April 2022, a property is classed as 'self-catering holiday accommodation' liable for non-domestic rates if it is available to let for 140 days and actually let for a total of 70 days or more in the financial year.

The Small Business Bonus Scheme (SBBS) offers up to 100% rates relief for small premises in Scotland, including self-catering accommodation. Whether a property is eligible for SBBS relief and the level of relief depends on the cumulative rateable value of all the properties in Scotland of which a person is in rateable occupation.

The Scottish Budget 2023-24 announced reforms to SBBS, whilst ensuring it remains the most generous scheme of its kind in the UK, supporting business and taking 100,000 properties out of rates altogether. With effect from 1 April 2023, 100% relief is available for properties where the cumulative rateable value of all of a ratepayer's properties is no more than £12,000. The upper rateable value for individual properties to qualify for SBBS relief was extended from £18,000 to £20,000, with relief tapered for those properties with a rateable value between £12,001 and £20,000.

To ensure properties losing or seeing a reduction in Small Business Bonus Scheme (or Rural Rates Relief) on 1 April 2023 do so in a phased manner we have also introduced a **Small Business Transitional Relief**

which caps the maximum increase in the rates liability relative to 31 March 2023 at £600 in 2023-24.

The total value of SBBS relief for 2022-23 was estimated at £275 million (as at 1 July 2022). Properties classed on the valuation roll as self-catering accommodation accounted for almost 8% of this total value, with the majority of these properties benefiting from 100% relief. Further detail regarding self-catering properties and SBBS relief can also be found in response to parliamentary questions [S6W-12631](#) and [S6W-12629](#).

Recognising that second homes may be let for short-term let self-catering accommodation and the interaction between council tax and non-domestic rates, the [Consultation on Council Tax for second and empty homes](#), which was published on 18 April, invites views on the current thresholds which apply for a property to be classed as self-catering accommodation liable for non-domestic rates. It also invites comments more generally on the non-domestic rates system in respect of self-catering accommodation, and we hope all with an interest will respond. The consultation closes on 11 July, and we would suggest the Committee may wish to encourage the petitioner to respond.

Decisions on non-domestic rates, including reliefs, are generally considered in the context of the Scottish Budget in line with the Framework for Tax 2021, prevailing economic conditions, and other government priorities.

I hope that you find this helpful.