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## Local Government Finance Circular No. 5/2023

By e-mail

To: Directors of Finance of Scottish Local Authorities  
Chief Executive, Convention of Scottish Local Authorities (COSLA)

Date: 29 March 2023

Dear Directors,

### **NON-DOMESTIC RATES RELIEF: INFORMATION FOR SCOTTISH LOCAL AUTHORITIES**

1. Please see enclosed at Annex A information relating to current arrangements for non-domestic rates reliefs. Annex B provides examples of supporting documentary evidence, Annex C lists the activities eligible for Enterprise Areas Relief, and Annexes D and E worked examples.
2. This is offered in light of recent changes to reliefs in respect of 2023-24.
3. The information was compiled with the involvement of officers from the Convention of Scottish Local Authorities (COSLA) and the Institute of Revenues, Rating and Valuation (IRRV). The Scottish Government is grateful for this expert input.
4. I hope the document is useful, and would be happy to discuss any comments or queries. My contact details are above.

Yours faithfully,

**ANOUK BERTHIER**  
Local Government & Analytical Services Division

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# ANNEX A - NON-DOMESTIC RATES RELIEF: INFORMATION FOR SCOTTISH LOCAL AUTHORITIES

## INTRODUCTION

1. Non-domestic rates (NDR), often referred to as business rates, are levied on non-domestic properties, subject to statutory exemptions and reliefs. The NDR framework for Scotland is devolved to the Scottish Parliament and Scottish Government, and although broadly similar, is different in detail from arrangements in the rest of the United Kingdom (UK).
2. Valuation of non-domestic properties is undertaken independently by the Scottish Assessors, subject to statutory appeal processes, with all valuations freely accessible on the Scottish Assessors Association's website.<sup>1</sup> Scottish Ministers annually set a national poundage, which is applied to a property's rateable value (RV). Rating, including billing, collection, enforcement and determination of rates relief, is undertaken by local authorities. A ratepayer may appeal to the council on the grounds that they are being improperly charged.<sup>2</sup>
3. Certain types of properties are statutorily exempt from NDR, either through exclusion from the valuation roll (e.g. agricultural land and buildings) or exemption from rating (e.g. churches, lighthouses, fishings), the effect of these being that the property is not liable for rates.
4. A number of reliefs are available for certain types of property nationally under Scottish law. These are subject to the UK's international commitments on subsidy control arising from, amongst others, the Subsidy Control Act 2022, the EU-UK Trade and Cooperation Agreement (TCA), World Trade Organisation Membership and commitments arising from international treaties and agreements to which the UK is a party.
5. Some reliefs are mandatory (i.e. they must be applied) and some are discretionary (i.e. local authorities have discretion as to their application).
6. Under Part 11 of the Community Empowerment (Scotland) Act 2015, local authorities may also reduce or remit non-domestic rates. In doing so, they must have regard to the authority's expenditure and income and the interests of persons liable to pay council tax set by the authority. The revenue impact of local reliefs must be borne by the local authority unless otherwise specified.

### This Document

7. Information in this document is provided by the Scottish Government, in conjunction with COSLA, to Scottish local authorities.

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<sup>1</sup> [www.saa.gov.uk](http://www.saa.gov.uk)

<sup>2</sup> Section 238 of the Local Government (Scotland) Act 1947, section 238(1): "In respect of each rate levied by them every rating authority shall fix a date on or before which any person may lodge with the officer of the authority designated for the purpose an appeal against the rates claimed from him on the ground that he is being improperly charged, and another date on which the appeals shall be heard by the rating authority or a committee thereof."

8. This document has no statutory basis, is offered without prejudice to relevant legislation and legal decisions, and does not constitute legal advice.
9. The document was developed by the Scottish Government. A draft was shared for comment with a group of local authorities and COSLA ahead of finalising this version.
10. The document aims to inform a mutual understanding amongst local authority practitioners. It includes general information relating across the different reliefs, and specific information relating to each relief.
11. Given their responsibilities for managing public funds, it is up to local authorities to ensure that procedures for administering relief, including reviewing and re-application processes, are suitably robust, including for audit purposes.
12. This document refers to amended legislation rather than amending legislation. For example, The Non-Domestic Rates (Telecommunication Installations) (Scotland) Regulations 2016 have to date been subject to a number of amendments – and reference is made to the 2016 Regulations.

## **SUBSIDY CONTROL**

### Background

13. The Subsidy Control Act 2022 is applicable from 4 January 2023.
14. All public authorities must have regard for the Subsidy Control Act 2022 as well as commitments in the EU-UK TCA, Withdrawal Agreement, Northern Ireland Protocol, World Trade Organisation rules (including the Agreement on Subsidies and Countervailing Measures), and Trade Agreements between the UK and non-EU countries. Non-domestic rates reliefs, like other subsidy or support measures, may be subject to the conditions set out in these international agreements.
15. Relevant links are provided below:
  - [Subsidy Control Act 2022](#)
  - [UK Subsidy Control Statutory Guidance](#)
  - [Scottish Government Subsidy Control Guidance](#)

### Defining a Subsidy

16. The Subsidy Control Act 2022 (“the Act”) defines a subsidy as financial assistance awarded to an enterprise involved in the provision of goods or services which:
  - a. is given, directly or indirectly, from public resources by a public authority,
  - b. confers an economic advantage on one or more enterprises,
  - c. is specific, that is, such that it benefits one or more enterprises over one or more other enterprises with respect to the production of goods or the provision of services, and
  - d. has, or is capable of having, an effect on:
    - i. competition or investment within the UK

- ii. trade between the UK and a country or territory outside the UK, or investment as between the UK and a country or territory outside the UK

17. The Act prohibits some categories of subsidy outright because of the greater risk they pose of significantly distorting competition or investment in the UK, or international trade or investment. The UK also has obligations under international agreements to prohibit many of these kinds of subsidies. These categories are:

- i. Any subsidy that would guarantee an unlimited quantity of liabilities or debts, or which would guarantee a finite amount of liabilities or debts but over an indefinite period.
- ii. A subsidy that is contingent in law or in fact, whether solely or as one of several other conditions, upon export performance relating to goods or services.
- iii. Subsidies that are contingent on the use of domestically produced goods or services, often known as 'local content' subsidies.
- iv. Relocation subsidies where the subsidy contains a condition requiring the relocation and the relocation would not occur without the subsidy, except for the purposes of addressing social or economic disadvantage.
- v. Rescuing and restructuring subsidies to ailing or insolvent enterprises unless certain requirements are met.

18. Other specific prohibitions and requirements are set out in Chapter 5 of the UK Subsidy Control Statutory Guidance.

#### Minimal Financial Assistance (MFA) Threshold

19. The Act sets out common principles that must be met for subsidies. The designing and granting of subsidies must consider these principles on a case-by-case basis – including those under the Community Empowerment (Scotland) Act 2015. Failure to do so could leave a public authority open to judicial review in the UK.

20. The principles are (Schedule 1 of the Act):

- A. Subsidies pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns).
- B. Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it.
- C. Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change, in relation to a subsidy, should be conducive to achieving its specific policy objective, and something that would not happen without the subsidy.
- D. Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.
- E. Subsidies should be an appropriate policy instrument to achieve their specific policy objective and that objective cannot be achieved through other, less distortive, means.
- F. Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition and investment within the UK.
- G. Subsidies' beneficial effects (in terms of achieving their specific policy objective) should outweigh any negative effects, including in particular negative effects on competition and investment within the UK, and international trade and investment.

21. Minimal Financial Assistance (MFA) allows public authorities to award low value subsidies without needing to comply with the majority of the subsidy control requirements

and provides an exemption from the above principles. MFA has a financial threshold which allows recipients to receive up to £315,000 over three financial years.

22. The MFA level of £315,000 replaces the TCA minimum financial assistance of 325 Special Drawing Rights (which replaced the EU de minimis regulation under the Treaty of the Functioning of the European Union which limited support to a beneficiary to €200,000 over three years).
23. Although subsidies given as MFA are exempt from the main substantive subsidy control requirements, there are two prohibitions that apply to all subsidies including MFA - the prohibition on giving subsidies relating to goods for export performance and the prohibition on domestic content.

#### Awarding a subsidy under MFA

24. Public authorities awarding subsidies as MFA must comply with certain procedural requirements.
25. Before awarding an MFA subsidy, the public authority should provide the intended recipient enterprise with an 'MFA notification' which is a written statement:
- explaining that the public authority is proposing to give to the enterprise a subsidy by way of MFA,
  - specifying the gross value amount of the assistance, and
  - requesting written confirmation from the enterprise that the MFA threshold specified in section 36(1) of the Subsidy Control Act 2022 will not be exceeded by the enterprise receiving the proposed assistance.
26. The public authority can only award the subsidy when it has received this confirmation. If the enterprise confirms it will exceed the threshold on receipt of the subsidy, it can still elect to receive part of the subsidy up to the threshold as MFA. Any remaining balance will be subject to the full subsidy control requirements associated with providing a subsidy.
27. When awarding an MFA subsidy, the public authority must give the intended beneficiary an 'MFA confirmation' which is a written statement that confirms:
- that the subsidy is given as MFA,
  - the date on which it is given, and
  - the gross value amount of the assistance.

#### MFA Thresholds Calculation

28. Any previous subsidies given under the TCA should be cumulated with any subsidies given as MFA. Therefore, it is necessary to account for any previous payments made over the three year period (the elapsed part of the current financial year and the two financial years immediately preceding the current financial year).

#### Transparency Requirements

29. The transparency rules set out in the Act require public authorities to upload details of both subsidy schemes and awards to the UKG Subsidy Database. Transparency obligations apply regardless of any information that a beneficiary believes is commercially sensitive.

30. Details of every subsidy payment must be uploaded to the transparency database within three months of the date of award (unless an exemption applies). All subsidy awards which exceed £100,000 are required to be uploaded to the database. For information on how to upload details to the transparency database please refer to the [Scottish Government's webpage on transparency requirements](#).

### Relief Restriction Regulations

31. The Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023 come into force on 1 April 2023 and require that the granting of prescribed mandatory non-domestic rates reliefs must be compatible with the Subsidy Control Act 2022, in particular the subsidy control requirements set out in the Act.

32. Under the Regulations, from 1 April 2023 reliefs awarded as MFA must meet the following requirements:

- The total amount of minimal financial assistance must not exceed the amount set out in section 36(1) of the Subsidy Control Act 2022 (currently £315,000 over the current and preceding two financial years);
- The procedural requirements in section 37 of the Act must be followed; and
- Where the relief exceeds the amount specified in section 36(4) of the Act (currently £100,000), certain requirements as to transparency must be followed.

33. These reliefs also amend the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2021 to specify that those regulations only apply in the financial years 2021-22 and 2022-23.

### **GENERAL INFORMATION**

34. Determination of each relief by the council is generally based on an application from the rateable occupier (for some reliefs an application is statutorily required). Recurrent annual applications are not necessarily required, but in some cases statutorily are; for example, councils may choose to align a reapplication cycle with the revaluation cycle.

35. To determine the amount of relief to be awarded, local authorities should take steps as they see fit to ensure they have complete, accurate and up-to-date information on all properties occupied by the applicant in Scotland, i.e. across all local authority areas. Application is made to each local authority in whose area the property for which relief is sought is located, and a separate application is made for each relief. Applicants should provide details of all non-domestic properties in Scotland which they own, lease or are entitled to occupy, regardless of whether they are occupied or vacant.

36. The applicant must be listed as the property's rateable occupier in the council's assessment roll, or authorised to apply on behalf of the rateable occupier.

37. An application for a relief to which subsidy control rules apply must include a declaration of all other public assistance received (see Subsidy Control section above). The local authority should consider undertaking due diligence. Any application not providing correct information may be considered fraudulent, in which case appropriate action may be taken against the applicant.

38. For some reliefs, such as Charity Relief, the council may require the applicant to supply additional documentary evidence in support of their application. Examples of documentary evidence required in support of applications for certain reliefs are at Annex

B. A council may decide that a single letter e.g. from a surveyor, agent, regulator or law-enforcement organisation, on its own is not sufficient evidence.

39. A completed application form signed and dated by the rateable occupier is necessary for the local authority to begin its consideration. Local authorities may accept applications by email, and this is to be encouraged.
40. Rates bills to ratepayers should include a list of the reliefs the property is in receipt of.
41. Relief applications relating to utilities valued under the designated Assessors' regime<sup>3</sup> should be passed to the relevant billing authority as follows:
- electricity – South Lanarkshire Council
  - water – Fife Council
  - gas – West Dunbartonshire Council
  - docks and harbours – Falkirk Council
  - railways – Highland Council
  - canals – Highland Council
  - fixed-line telecommunications – Renfrewshire Council
42. Some reliefs are mandatory i.e. if the applicant is deemed eligible then the relief must be awarded.
43. Some reliefs are discretionary i.e. if the applicant is deemed eligible then the relief may be awarded but this is the local authority's choice.
44. Funding arrangements for reliefs between local authorities and the Scottish Government are set out in The Non-Domestic Rating Contributions (Scotland) Regulations 1996. The cost of discretionary reliefs is generally 75% funded by the Scottish Government and 25% by the awarding council, except for discretionary sports clubs relief awarded under 4(5)(c) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962 and Green Freeports relief, which are both fully funded by the Scottish Government. The discretionary reliefs are:
- Charity Relief 'top-up' of up to 20% for OSCR-registered charities;<sup>4</sup>
  - Charity Relief of up to 100% for certain other not-for-profit organisations;<sup>5</sup>
  - Sports Club Relief 'top-up' of up to 20% for HMRC-registered Community Amateur Sports Clubs (CASCs);<sup>6</sup>
  - Sports Club Relief of up to 100% for certain other not-for-profit organisations;<sup>7</sup>
  - elements of Rural Relief;
  - Hardship Relief; and
  - Stud Farms Relief.
45. Local reliefs<sup>8</sup> are fully funded by the Council, with the exception of Green Freeports relief.

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<sup>3</sup> The Non-Domestic Rating (Valuation of Utilities) (Scotland) Order 2005.

<sup>4</sup> Awarded under section 4(5)(a) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>5</sup> Awarded under section 4(5)(b) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>6</sup> Awarded under section 4(5)(a) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>7</sup> Awarded under section 4(5)(c) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>8</sup> Awarded under section 140 of the Community Empowerment (Scotland) Act 2015.

## BUSINESS GROWTH ACCELERATOR RELIEF

46. The key legislation is The Non-Domestic Rates (Relief for New and Improved Properties) (Scotland) Regulations 2022, as amended. Councils may be assisted in the identification of properties eligible for this relief by a mark on the valuation roll required under section 2A of the Local Government (Scotland) Act 1975 flagging entries that relate to newly built or improved property.
47. Properties that contain new buildings are eligible for 100% mandatory new-build relief until twelve months after they are first occupied. Improved properties that contain buildings are eligible to see no rates increases for 12 months until after the RV has been amended as a result of the improvement.
48. The 2022 regulations set out four regulations under which relief can be granted:
- New-build (1): Regulation 4 provides for 100% relief to the entire RV of the property for twelve months until after first occupation. Where a new build has been entered in the valuation roll within the last 12 months, 100% relief will be available until 12 months after the property becomes occupied, or four years after the date on which the entry in the valuation roll took effect, whichever is sooner. Where the new build has been entered into the valuation roll more than 12 months previously, 100% relief is available until 12 months after the property becomes occupied or the latter of the following dates: 31 March 2025 or four years after the date that the entry in the valuation roll took effect. This applies to new entries on the Roll made under section 2(1)(b) of the Local Government (Scotland) 1975 Act containing one or more buildings or parts of a building, none of which were shown in any entry in the roll for the day prior to the day that entry takes effect.
  - New-build (2): Regulation 6 provides for 100% relief to the entire RV of the property, for twelve months until after first occupation. Where a new build has been entered in the valuation roll within the last 12 months, 100% relief will be available until 12 months after the property becomes occupied, or four years after the date on which the entry in the valuation roll took effect, whichever is sooner. Where the new build has been entered into the valuation roll more than 12 months previously, 100% relief is available until 12 months after the property becomes occupied or the latter of the following dates: 31 March 2025 or four years after the date that the entry in the valuation roll took effect. This applies to entries that contained no buildings (e.g. ground entries in the Roll). This applies to entries on the Roll made under section 2(1)(d) of the Local Government (Scotland) 1975 Act containing one or more buildings or parts of a building, none of which were shown in any entry in the roll for the day prior to the day that entry takes effect.
  - New-build (1 or 2) + improvements: Regulation 8 sets out how properties in receipt of one of the above two types of new-build relief are treated when they are further improved.
  - Regulation 10 provides for delayed increase in rates bills for 12 months on existing entries in the Roll which comprise a building where there has been a property improvement. 100% relief is available only on the *increase* in RV, which is equal to the final RV minus the RV prior to the commencement of the works. Examples would typically include an extension to the rear of a shop; the erection of a new building in an entry that already has buildings; the installation of a sprinkler system, airconditioning, underfloor heating, or solar panels.
49. Property improvements comprise the installation of plant and machinery that falls within class 4 in the schedule of the Valuation for Rating (Plant and Machinery) (Scotland) Regulations 2000.

50. If the property was an existing dwelling or other building that was previously exempt from the valuation roll immediately prior to being entered on the roll, then it is not eligible for BGA Relief.
51. Where an unoccupied property in receipt of new-build relief is divided, each new entry continues to be eligible for relief until twelve months after it is first occupied. Where an occupied entry in the Roll in receipt of new-build relief is split, relief continues to be available on each unit until the end of this twelve-month occupation period but no more.
52. Where an increase in RV is due to a split, merger or reorganisation, a property is not eligible for relief, even if the process involves for instance the creation of a new building.
53. BGA for property improvements is available even where there is an increase in RV due in whole or in part to a change in the way the lands and heritages are being used.<sup>9</sup> A property that was converted from one type of use to another (e.g. office to hotel) may thus qualify for relief, subject to the other eligibility criteria.
54. The Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2023 provide for continuation of improvement relief awarded in respect of 2022-23, where the period of relief continues into 2023-24. This relief will be awarded at the same percentage of relief as applies at 31 March 2023, but on the basis of the rateable value following the revaluation taking effect on 1 April 2023.
55. The local authority determines whether a property is eligible for relief, and may wish to consult the Assessor's office to discuss eligibility. The Non-Domestic Rates (Scotland) Act 2020 provides that Assessors will identify new builds and improved properties with a marker in the Valuation Roll in order to facilitate identification from 1 April 2021. From 1 April 2022, the Non-Domestic Rates (Valuation Roll) (Modification) (Scotland) Regulations 2022 provides that the installation of specified plant and machinery or increases in rateable value of lands and heritages where there has in part been a change in the way they have been used will also be identified on the roll by Assessors.
56. Local authorities are encouraged to liaise with the assessor if a property in the above circumstances applies for BGA Relief, in order to confirm eligibility for the relief.
57. This relief is mandatory and 100% funded by the Scottish Government.
58. This relief requires an application form. An application must be made in a given financial year in order for the council to be able to award/start awarding the relief in that year (except 2018-19 for which an application can be made retrospectively).
59. BGA Relief applies generally for properties of a certain type (buildings) and in certain circumstances (new and improved) and is therefore unlikely to be considered a subsidy.

## **CHARITY RELIEF**

60. The key legislation is Section 4 of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

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<sup>9</sup> This is not explicitly tied to changes in planning use and local authorities' interpretations may differ.

61. Properties that are either (i) occupied by a charity in the Scottish Charity Register, held by the Scottish Charity Regulator (OSCR),<sup>10</sup> or by trustees thereof, *and* that are used wholly or mainly for charitable purposes; or (ii) held on trust for use as an almshouse, are entitled to 80% mandatory Charity Relief.<sup>11</sup>
62. This mandatory element of the relief is 100% funded by the Scottish Government.
63. The local authority also has discretion to ‘top up’ this relief to 100%.<sup>12</sup> This element of the relief is 75% funded by the Scottish Government. This means that a property receiving 80% mandatory relief and a 20% discretionary top up would see this relief 95% funded by the Scottish Government (80\*100 + 20\*75).
64. The local authority determines whether occupation is wholly or mainly for charitable purposes. A trading arm of a charity, which is itself a separate entity that is not a charity, may not be eligible for mandatory relief. For charity shops to be eligible, their use must be wholly or mainly for the sale of goods donated to the charity and the proceeds of sale (after expenses) must be applied for the purposes of the charity. To inform this consideration, the relative proportion of new and donated goods sold on the premises may be requested from the occupier.
65. Properties occupied by certain other not-for-profit organisations are eligible to receive up to 100% relief at the discretion of the local authority.<sup>13</sup> To qualify, the purpose of occupation must mainly be charitable or otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts.
66. The Non-Domestic Rates (Scotland) Act 2020 removes eligibility for Charity Relief from mainstream independent schools<sup>14</sup>, leaving it in place for special schools<sup>15</sup> and schools for musical excellence within that category. It does not affect these schools’ charitable status. This provision was commenced on 1 April 2022.<sup>16</sup>
67. Local authorities may have their own policies for awarding discretionary relief. Some current examples of eligibility criteria are:
- premises does not hold a liquor or gaming licence;
  - premises is not used to carry out commercial operations;
  - the organisation benefits the community.
68. A separate application will normally be required for each rateable property. Joint occupation or use of the premises with another party that does not meet the criteria may affect eligibility. Full details must be provided or the application could be deemed fraudulent and action taken against the applicant. For organisations not registered with OSCR, the local authority may ask for details of their constitution. Where there is any dubiety, local authorities may visit the premises.

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<sup>10</sup> [www.oscr.org.uk/charities/search-scottish-charity-register](http://www.oscr.org.uk/charities/search-scottish-charity-register)

<sup>11</sup> Section 4(2) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>12</sup> Section 4(5)(a) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>13</sup> Section 4(5)(b) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>14</sup> Section 10(2) of the Non Domestic Rates (Scotland) Act 2020.

<sup>15</sup> Defined in section 29(1) of the Education (Additional Support for Learning) (Scotland) Act 2004.

<sup>16</sup> The Non-Domestic Rates (Scotland) Act 2020 (Commencement No. 2, Transitional and Saving Provisions) Amendment Regulations 2021.

69. The 80% mandatory relief appears to be available across the UK and could be regarded as a general measure and therefore unlikely to be considered a subsidy. Any discretionary relief applying to activity not economic in nature is also unlikely to be a subsidy. For charity shops and other commercial activity, local authorities will have to consider whether this must be awarded as MFA, or whether the relief award is subject to other subsidy control requirements.

## **DAY NURSERY RELIEF**

70. The key legislation is The Non-Domestic Rates (Day Nursery Relief) (Scotland) Regulations 2018.

71. 100% relief is available where the premises are used wholly or mainly as a day nursery. This relief is available for properties in all sectors - private, public and charitable.

72. An application must be made for this relief.

73. This relief is likely to be considered a subsidy under the Act. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act. This relief is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023.

## **DISABLED RATES RELIEF**

74. The key legislation is the Rating (Disabled Persons) Act 1978. Up to 100% relief may be available where:

- residential accommodation is provided for the care or aftercare of people who are disabled,
- facilities are provided for the training of people who are disabled; or
- welfare services or workshops for disabled persons are provided.

75. The applicant will generally be asked to confirm the percentage of floor space used for the qualifying purposes. Floor plans relating to the qualifying area, or area for which relief is to be applied, may also be requested.

76. To determine the eligibility for care homes, the council may request confirmation of registration with Social Care and Social Work Improvement Scotland (otherwise known as the Care Inspectorate).

77. If the property is deemed eligible and the qualifying area has been confirmed at 100%, then the council will generally award 100% rates relief.

78. If the property is deemed eligible and the qualifying area has been confirmed at less than 100%, the council will generally request the Assessor to apportion qualifying parts of the property. The percentage of qualifying area will be used to calculate the percentage of relief to be awarded, provided the qualifying area is greater than 50%.<sup>17</sup>

79. The 100% mandatory element appears to be available across the UK and could be regarded as a general measure and therefore unlikely to be considered a subsidy.

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<sup>17</sup> Section 24A of the Local Government (Scotland) Act 1966.

## **DISTRICT HEATING RELIEF**

80. The key legislation is The Non-Domestic Rates (District Heating Relief) (Scotland) Regulations 2017.
81. Properties used wholly or mainly for the purposes of a district heating network may receive 50% relief. This relief is available until 31 March 2032.<sup>18</sup>
82. Further, new properties, entered on the valuation roll on or after 1 April 2021, used wholly or mainly for the purposes of a district heating network which is powered wholly or mainly by renewable generation may receive 90% relief. This relief is available until 31 March 2024.
83. An application is required for this relief.
84. This relief is likely to be considered a subsidy under the Act and is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

## **EMPTY PROPERTY RELIEF**

85. From 1 April 2023, Empty Property Relief (EPR) will be devolved to individual local authorities<sup>19</sup>. All elements of EPR will be devolved including rates exemptions for vacant property (e.g. unoccupied listed buildings), enabling councils to administer any local relief for unoccupied properties in a way that is tailored to local needs. The Scottish Government, in line with the independent Barclay Review of non-domestic rates, supports measures that help bring empty property back into economic use.
86. Local authorities have been provided with a financial allocation to give effect to the devolution of this, and it will be for individual local authorities to decide whether to use the powers they have to administer a local relief on empty (unoccupied) properties from 1 April 2023. Powers to award discretionary local reliefs are contained in section 3A of the Local Government (Financial Provisions etc.) (Scotland) Act 1962. More details on this can be found within the '*Local Reliefs and Reductions*' section.
87. Prior to April 2023, EPR provided a level of rates relief, or an exemption, on unoccupied non-domestic properties. See LG Finance Circular 04/2022 for more detail.
88. Part-occupation<sup>20</sup>: if it appears to the council that part of a property is unoccupied but will remain so for a short time only, it may ask the Assessor to apportion the RV between the occupied and unoccupied parts. In that case, the Assessor must apportion accordingly and the following applies from 1 April 2023: the RV for the whole property is taken for rating purposes to be the apportioned value of the occupied portion only. The Valuation Roll itself is not altered, the apportioned figures being supplied to the council by the Assessor on request.

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<sup>18</sup> The Non-Domestic Rates (District Heating Relief and Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2021.

<sup>19</sup> Section 19, Non-Domestic Rates (Scotland) Act 2020

<sup>20</sup> Section 24A of the Local Government (Scotland) Act 1966, and the Non-Domestic Rating (Unoccupied Property) (Scotland) Regulations 1994.

89. Part-occupation is generally considered when a ratepayer can clearly evidence that part of the property is empty. The start date for relief is the later of the date part-occupation commenced or the start of the financial year in which the council's request was made to the Assessor. The end date is the earliest of: the end of the part occupation; the end of the financial year in which the council's request was made to the Assessor; a further apportionment being made; or the property become fully unoccupied. The council may extend the duration into the following financial year.
90. As with statutory reliefs, councils must consider and comply with the Act. A local relief scheme could potentially not be a subsidy if it were regarded as a general measure. EPR was previously regarded as a general measure and unlikely to require to be awarded within MFA limits.
91. A local relief for empty property, following a similar approach to mandatory EPR, may potentially be deemed not to be 'specific' and not qualify as a subsidy. Councils should however seek their own legal and subsidy advice.

## ENTERPRISE AREAS RELIEF

92. The key legislation is The Non-Domestic Rates (Enterprise Areas) (Scotland) Regulations 2016.<sup>21</sup>
93. Properties concerned with specific sectors in four defined Enterprise Areas, each of which comprises a number of defined geographic locations (see Table 1), may be eligible. Boundaries for each location are set out in a published series of maps.<sup>22</sup>
94. Reliefs and thresholds are set out in Table 2. Dundee Port, Nigg and part of Irvine are within the wider Enterprise Area strategic locations, but are not eligible for rates relief.<sup>23</sup>

**Table 1: Enterprise Areas subject to rates relief (including local authority area)**

|  |   |
|--|---|
| <b>Life Sciences</b>   | <b>Low Carbon / Renewables North</b>  |
| <ul style="list-style-type: none"> <li>• Irvine – part of site (North Ayrshire)</li> <li>• Forres (Moray)</li> <li>• Inverness Campus (Highland)</li> <li>• BioQuarter (Edinburgh)</li> <li>• BioCampus (Midlothian)</li> <li>• BioCity (North Lanarkshire)</li> </ul> | <ul style="list-style-type: none"> <li>• Hatston (Orkney)</li> <li>• Arnish (Western Isles)</li> <li>• Scrabster (Highland)</li> <li>• Lyness (Orkney)</li> </ul> |
| <b>General Manufacturing &amp; Growth Sectors</b>  | <b>Low Carbon / Renewables East</b>   |

<sup>21</sup> Eligibility is currently due to expire on 31 March 2024 as set out in The Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2023.

<sup>22</sup> <https://www.gov.scot/publications/enterprise-areas-maps/>

<sup>23</sup> These may instead claim enhanced capital allowances enabling businesses to claim up to 100% of the cost of certain qualifying investments in plants and machinery against the businesses' taxable profits.

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Creative Clyde (Glasgow City)</li> <li>• Prestwick International – Aerospace (South Ayrshire)</li> <li>• West Lothian – Food and drink manufacturing (West Lothian)</li> </ul> | <ul style="list-style-type: none"> <li>• Leith (Edinburgh)</li> </ul> |
|---|---|

**Table 2: Enterprise Areas Reliefs and thresholds**

| <b>Value</b>                                | <b>Rates relief</b> |
|---|---------------------|
| <b>£120,000 or less</b>                     | 100%                |
| <b>Over £120,000 and up to £240,000</b>     | 50%                 |
| <b>Over £240,000 and up to £480,000</b>     | 25%                 |
| <b>Over £480,000 and up to £1,200,000</b>   | 10%                 |
| <b>Over £1,200,000 and up to £2,400,000</b> | 5%                  |
| <b>Over £2,400,000</b>                      | 2.5%                |

95. Only businesses undertaking certain activity in each area, as defined at Annex C, are eligible. Only new-build properties (entered in the valuation roll after 1 April 2012) or properties which were vacant for at least a three-month period are eligible.

96. This relief is mandatory and 100% funded by the Scottish Government.

97. This relief is likely to be considered a subsidy under the Act and is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

## **FRESH START RELIEF**

98. The key legislation is the Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2023.

99. Mandatory relief of 100% is available for a period of up to 12 months, for certain occupied premises. The following two criteria must be met:

- the property has been unoccupied for a continuous period of at least six months immediately prior to the applicant's occupation;
- the property has a RV of up to £100,000 (up from £95,000 until 31 March 2023).

100. Where there is a change of occupier during the qualifying period for this relief, the new occupier may still receive the remaining balance of this relief. Equally nothing in the regulations precludes an occupier vacating for six months and re-occupying the property being eligible for Fresh Start relief.

101. For properties that were awarded Fresh Start relief in respect of 2022-23 and where the relief period continues into 2023-24, 100% relief will continue to be available for the

remaining period of the relief award, regardless of the new rateable value of the property following revaluation.

102. This relief is mandatory and 100% funded by the Scottish Government.
103. Local authorities will have to consider whether this must be awarded as MFA or whether the subsidy control requirements are met. As no sectoral restrictions apply and this relief is available for a particular circumstance (newly reoccupied long-term empty property), it is unlikely to confer a selective advantage however.

### **HARDSHIP RELIEF**

104. The key legislation is section 25A of the Local Government (Scotland) Act 1966.
105. A local authority may award up to 100% relief if the applicant would otherwise sustain hardship, and if doing so was reasonable in light of the interests of council taxpayers.
106. This relief is discretionary and generally 75% funded by the Scottish Government.
107. If the applicant's activity is commercial in nature, then the relief may be considered a subsidy. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

### **MOBILE MASTS RELIEF**

108. The key legislation is The Non-Domestic Rates (Telecommunication Installations) (Scotland) Regulations 2016.<sup>24</sup>
109. Relief is awarded to mobile masts or towers in (i) three 'Mobile Masts Pilot Areas' (two in Arran and one in Cairngorm) entered in the valuation roll on or after 1 April 2016; or (ii) located in a number of specific different grid references.<sup>25</sup>
110. Relief can be awarded between 1 April 2016 and 31 March 2029. An application to the council is required.
111. This relief is mandatory and 100% funded by the Scottish Government.
112. This relief is likely to be considered a subsidy under the Act. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act. This relief is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023.

### **NEW FIBRE RELIEF**

113. The key legislation is The Non-Domestic Rates (Telecommunications New Fibre Infrastructure Relief) (Scotland) Regulations 2019.

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<sup>24</sup> The Non-Domestic Rates (Telecommunications and Canals) (Scotland) Amendment Order 2016 provides that masts to which the relief applies receive separate entries in the valuation roll.

<sup>25</sup> <https://www.gov.scot/publications/4g-infill-programme-non-domestic-rates-relief-mobile-masts/>

114. Telecommunications new fibre infrastructure<sup>26</sup> is eligible for 100% relief between 1 April 2019 and 31 March 2034<sup>27</sup>. An application to the council is required.
115. This relief is mandatory and 100% funded by the Scottish Government.
116. Local authorities will have to consider whether this must be awarded as a subsidy, particularly with regard to confluence with the rest of the UK. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

## **RELIGIOUS EXEMPTION FROM RATES**

117. The key legislation is section 22 of the Valuation and Rating (Scotland) Act 1956.
118. Buildings occupied by a religious body for the purpose of religious worship or related administration, and halls used in connection with such buildings and their occupiers' purpose, are exempt from rates.
119. The council decides whether premises are used as a place of worship or related administration. Church halls may be ineligible if they are used mainly for non-religious purposes.
120. Although not a statutory requirement, some councils request applications for monitoring purposes.
121. Councils may also offer relief to properties occupied by an institution or organisation which was not established or conducted for profit and whose main object is religious.<sup>28</sup>
122. As the activity is non-economic in nature, organisations would generally not be regarded as undertakings and the relief would likely not be considered a subsidy.

## **RENEWABLE ENERGY RELIEF**

123. The key legislation is the Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Regulations 2010.
124. Eligibility for the Renewable Energy Relief relating to community benefit requires arrangements which give at least 15% of the annual profit to a community organisation, in return for investment (or, failing that, so much of the annual profit as is attributable to 0.5 megawatt of the total installed capacity)<sup>29</sup>. Table 3 shows the sliding scale of applicable relief against the RV of the qualifying properties in Scotland that the applicant occupies or (if vacant) is entitled to occupy.

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<sup>26</sup> The Non-Domestic Rating (Telecommunications New Fibre Infrastructure) (Scotland) Order 2019 provides that new fibre infrastructure installed after 1 April 2019 receives separate entries in the valuation roll.

<sup>27</sup> This was extended in the Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2022

<sup>28</sup> Section 4(5)(b) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>29</sup> This was amended to 0.5 megawatt by The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2017. It was 1 megawatt prior to 1 April 2017.

**Table 3: Renewable Energy Relief thresholds<sup>30</sup>**

| <b>RV in Scotland</b>                     | <b>Relief (%)</b> |
|---|-------------------|
| <b>up to £145,000</b>                     | 100               |
| <b>over £145,000 and up to £430,000</b>   | 50                |
| <b>over £430,000 and up to £860,000</b>   | 25                |
| <b>over £860,000 and up to £4 million</b> | 10                |
| <b>over £4 million</b>                    | 2.5               |

125. Relief is available for subjects solely concerned with the production of heat or power (or both) from the following sources:

- biomass
- biofuels
- fuel cells
- photovoltaics
- water (including waves and tides, but excluding production from the pumped storage of water) (“hydro schemes”)
- wind
- solar power
- geothermal sources

126. In addition, hydro schemes with a RV of no more than £5 million are also eligible for 60% relief.<sup>31</sup> This relief is available until 31 March 2032.<sup>32</sup>

127. This relief is mandatory and 100% funded by the Scottish Government.

128. This relief is likely to be considered a subsidy under the Act and is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

## **RURAL RELIEF**

129. The key legislation is the Non Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Order 2005 and Schedule 2 to the Local Government and Rating Act 1997 as well as the Non Domestic Rates (Rural Areas) (Scotland) Regulations 2017.<sup>33</sup>

130. Mandatory relief of 100% is available to certain properties indicated in Table 4 which are the only such property located in a settlement in the local authority’s rural settlement list. The council’s determination of this is generally informed by local knowledge and the

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<sup>30</sup> The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2016.

<sup>31</sup> The Non-Domestic Rates (Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2018.

<sup>32</sup> The Non-Domestic Rates (District Heating Relief and Renewable Energy Generation Relief) (Scotland) Amendment Regulations 2021.

<sup>33</sup> This increased Rural Rate Relief 100% for qualifying businesses (previously this was split 50% mandatory and 50% discretionary).

applicant's declaration. The council compiles and maintains the rural settlement list, which is generally updated annually by the council in December to be in place for the start of the next financial year.

**Table 4: Rural relief thresholds**

| Qualifying subject <sup>34</sup>                                  | RV threshold |
|---|--------------|
| Small food shop, general store or post office                     | £8,500       |
| Petrol filling station, small hotel or public house <sup>35</sup> | £12,750      |

131. In addition, local authorities have discretionary powers to grant up to 100% relief to properties which provide a service which is of benefit to the community where they consider it would be in the interest of council tax payers to do so.

132. This relief is likely to be considered a subsidy under the Act and is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

### SMALL BUSINESS BONUS SCHEME

133. The key legislation is The Non-Domestic Rates (Levying and Miscellaneous Amendment) (Scotland) Regulations 2023.<sup>36</sup>

134. Occupiers of property located in Scotland (or those entitled to occupy it) with combined RV of £35,000 or less may be eligible for relief. Multiple properties linked to one business (e.g. a chain of shops) may be eligible for relief if their combined RV does not exceed £35,000.

135. Tables 5 and 6 outline reliefs and thresholds.

**Table 5: Relief thresholds for SBBS where the ratepayer is liable for rates for only one entry in the valuation roll**

| Cumulative RV range (single entry in valuation roll) | Percentage of rate relief   |
|--|---|
| £12,000 or less                                      | 100%  |
| £12,001 to £15,000                                   | Relief percentage = $100 - (75 \times (1 - \frac{(15000 - RV)}{3000}))$ |
| £15,001 to £20,000                                   | Relief percentage = $25 \times (\frac{(20000 - RV)}{5000})$             |

<sup>34</sup> Subject to legislative definitions.

<sup>35</sup> Ratepayer is not also the ratepayer for another property of the same type in Scotland.

<sup>36</sup> Eligibility is currently due to expire 31 March 2024.

**Table 6: Relief thresholds for SBBS where the ratepayer is liable for rates for multiple entries in the valuation roll**

| Cumulative RV range (multiple entries in valuation roll) | Percentage of rate relief  |
|--|--|
| £12,000 or less  | 100%   |
| £12,001 to £35,000                                       | 25% on each individual property with a rateable value of £15,000 or less<br>For individual properties with rateable value £15,001 to £20,000, relief percentage = $25 \times \left( \frac{20000 - RV}{5000} \right)$ |

136. Multiple properties occupied respectively by different businesses (e.g. with separate accounts, premises, employees, suppliers, leases, marketing and websites), which nonetheless seem to be linked, may be considered by the local authority as if they were occupied by separate occupiers, subject to subsidy control rules.
137. Where there may be links between businesses occupying different properties, the onus is on the applicant to provide sufficient evidence that the businesses are run independently of each other.
138. Payday lenders ceased to be eligible for SBBS from 1 April 2014. Advertisements, car parks and betting shops ceased to be eligible for SBBS from 1 April 2023. To determine eligibility, local authorities may, for example, adapt their application form to request a lender's applicable interest rate, visit the property to establish whether payday lending or another excluded purpose is taking place, or use local knowledge.
139. From 1 April 2020, unoccupied properties are not eligible for SBBS.
140. Worked examples for Small Business Bonus Scheme relief may be found in Annex D.
141. If backdated relief is applied for, local authorities will need to establish whether the applicant has been liable for the property's rates for the period in question (they may request supporting evidence from the applicant), and also the applicable relief legislatively provided for relating to different time periods. There is no statutory time limit for which the award of SBBS can be backdated, other than the commencement of the respective legislative provisions.
142. This relief is mandatory and 100% funded by the Scottish Government.
143. It is unlikely that this relief would be considered a subsidy as it is a general measure.

## **SPORTS CLUB RELIEF**

144. The key legislation is section 4(2)(aa) (mandatory relief) and 4(5)(c) (discretionary relief) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

145. Properties occupied by a Community Amateur Sports Club (CASC) registered with HM Revenue and Customs,<sup>37</sup> for the purposes of that club, or for the purposes of that club and of other clubs which are, or are entitled to be, registered as a CASC, are entitled to 80% mandatory rates relief under section 4(2)(aa) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962. Note that OSCR-registered charities may also claim 80% mandatory relief under section 4(2)(a) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962. Where these are sports clubs, it would be considered that they are applying for Sports Club Relief.
146. The mandatory element of this relief is 100% funded by the Scottish Government.
147. The local authority also has discretion to 'top up' this relief to 100%.<sup>38</sup> This element of the relief is 75% funded by the Scottish Government. This means that a property receiving 80% mandatory relief and a 20% discretionary top up would see this relief 95% funded by Scottish Government (80\*100 + 20\*75).
148. Properties occupied by certain other sports clubs that are not CASCs or registered charities are eligible to receive up to 100% relief at the discretion of the local authority.<sup>39</sup> Any such relief, whilst it is discretionary, is 100% funded by the Scottish Government. From 1 April 2021, councils must have regard to the statutory guidance set out in Local Government Finance Circular No. 3/2021 when awarding this relief.
149. Local authorities must have regard to subsections (6) to (7) of section 4 of the 1962 Act with regards to how award of a relief may be granted or modified/terminated.
150. As the activity is non-economic in nature, this is unlikely to be considered a subsidy.

## **STUD FARMS RELIEF**

151. The key legislation is the Valuation (Stud Farms) (Scotland) Order 2005 and Paragraph 4(2B) of Schedule 2 to the Local Government and Rating Act 1997, as inserted by section 28(4)(c) of the Local Government in Scotland Act 2003.
152. Councils may award up to 100% relief to qualifying stud farms with a rateable value up to £7,000. Note this relief is separate from the de-rating provision under section 7B of the Valuation and Rating (Scotland) Act 1956.
153. This relief is discretionary and is 75% funded by the Scottish Government.
154. This relief is likely to be considered a subsidy under the Act. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

## **TRANSITIONAL RELIEFS**

155. The key legislation is The Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2023, as amended.

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<sup>37</sup> <https://www.gov.uk/government/publications/community-amateur-sports-clubs-casc-registered-with-hmrc--2>

<sup>38</sup> Section 4(5)(a) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

<sup>39</sup> Section 4(5)(c) of the Local Government (Financial Provisions etc.) (Scotland) Act 1962.

156. Worked examples for Transitional Reliefs may be found in Annex E.

#### General Revaluation Transitional Relief

157. A General Revaluation Transitional Relief is available for all property types, capping gross bill increases at a specified percentage increase, dependent on the rateable value on 1 April 2023.

158. Any increase in the gross bill for a day in 2023-24 is to be no more than the following per cent (cash terms) of the gross bill for 31 March 2023:

**Table 7: Percentage Caps for Revaluation Transitional Relief**

| <b>Rateable Value on 1 April 2023</b> | <b>Percentage Cap 2023-24 (cash terms)</b> |
|---------------------------------------|--|
| Up to and including £20,000           | 12.5%                                      |
| £20,001 up to and including £100,000  | 25%  |
| Over £100,000                         | 37.5%                                      |

159. In order to be eligible for this relief, the property had to be shown in an entry on the valuation roll on both 31 March 2023 and 1 April 2023. Properties with a nil rateable value on 1 April 2023, or which had a nil rateable value on 31 March 2023 are not eligible. Eligibility for the relief also ceases if there is a merger, split or reorganisation of the valuation roll entry for the property occurring after 1 April 2023.

160. If the property is shown in a split or reorganised entry taking effect on 1 April 2023, a reduction is applied to the gross bill and then uplifted by the relevant factor noted in the table above to calculate the transitional limit. The reduction to be applied is:

- 1.2 for properties with a rateable value up to and including £20,000
- 1.25 for properties with a rateable value from £20,001 up to and including £100,000
- 1.4 for properties with a rateable over £100,000

161. A property can continue to be eligible for this relief upon a change of ratepayer.

162. An application is not required for this relief and it may be awarded automatically.

163. This relief is mandatory and 100% funded by the Scottish Government.

164. It is unlikely that this relief would be considered a subsidy as it is a general measure.

#### Small Business Transitional Relief

165. This relief caps the maximum increase in the net rates liability relative to 31 March 2023 at £600 in 2023-24 after any relief is applied (including the General Revaluation Transitional Relief) and is available for properties:

- entitled to Small Business Bonus Scheme (SBBS) relief, and/or
- entitled to mandatory or discretionary Rural Relief on 31 March 2023 and no longer entitled on 1 April 2023 due to their rateable value increasing at the 2023 revaluation beyond the qualifying threshold(s) set out in the Non-Domestic Rating (Rural Areas and Rateable Value Limits) (Scotland) Order 2005, as amended.

166. To be eligible for this relief, the property requires to have been shown in an entry on the valuation roll on both 31 March 2023 and 1 April 2023. Properties with a nil rateable

value on 1 April 2023 or which had a nil rateable value on 31 March 2023 are not eligible. Eligibility ceases if there is a merger, split or reorganisation of the valuation roll entry for the property occurring after 1 April 2023.

167. Any increases in rateable value after revaluation are not subject to the cap, and any decrease in rates caused by a decrease in rateable value after revaluation would also be taken into proportionate account.
168. An application is required for this relief.
169. This relief is mandatory and 100% funded by the Scottish Government.
170. It is unlikely that this relief would be considered a subsidy as it is a general measure.

#### Parks Transitional Relief

171. This provides 67% relief in 2023-24 for parks, or parts of parks, that existed but were not rateable on 31 March 2023, and which became rateable on 1 April 2023 following the coming into force of section 5 of the Non-Domestic Rates (Scotland) Act 2020, which amends section 19 of the Local Government (Financial Provisions) (Scotland) Act 1963.
172. An application is required for this relief.
173. This relief is mandatory and 100% funded by the Scottish Government.
174. This relief is likely to be considered a subsidy under the Act and is listed in the Non-Domestic Rates (Restriction of Relief) (Scotland) Regulations 2023. Public authorities should consider whether this relief is awarded as MFA, or whether it meets the other subsidy control requirements of the Act.

#### **LOCAL RELIEFS AND REDUCTIONS**

175. The key provision is section 3A of the Local Government (Financial Provisions etc.) (Scotland) Act 1962 inserted by section 140 of the Community Empowerment (Scotland) Act 2015.
176. As well as the statutory reliefs covered in this document, local authorities can apply further rates reliefs and reductions.
177. This power to set rates, in accordance with a scheme made by the local authority, came into force on 31 October 2015, and can be applied back to 1 April 2015.
178. A scheme could be based on category of property, area, activity, or by reference to such other matters as a scheme specifies; e.g. a scheme could provide for a general reduction across all rateable properties, or for a single property. Local authorities will wish any schemes to have clear, practicable and robust criteria for practitioners and ratepayers.
179. Any such reduction is fully funded by the local authority, and in exercising the power it must have regard to its income & expenditure and the interests of persons who are liable to pay council tax. A local authority may determine when a reduction is to cease, but it will always cease when there is a change in occupation of the property (although it could then be applied anew if that accords with the scheme).

180. The level of NDR income reported in councils' returns to the Scottish Government would not be affected by any such schemes (i.e. the council would fully fund the cost of rates remission or reduction under any scheme). However, councils' NDR income returns to the Scottish Government could potentially be used as a means of collecting information on the level of relief awarded under this power.
181. As with statutory reliefs, councils must consider and comply with the Act.
182. There is no statutory requirement for councils to require an application process for any relief (e.g. councils could reduce or remit rates in the initial rates bill). However, using application forms to request information about other public support would assist councils in determining the subsidy position.
183. A council scheme could potentially not be awarded as MFA providing it were compliant with the subsidy control requirements. The Scottish Government may offer councils guidance on any proposals, although councils should seek their own legal and subsidy advice.

## **ANTI-AVOIDANCE MEASURES**

184. From 1 April 2023, local authorities have powers to prevent or minimise advantages arising from known non-domestic rates avoidance practices. Within prescribed circumstances, councils can make the owner, rather than the occupier, liable for the payment of rates, or disregard deliberate physical changes to the state of the property solely for the purposes of avoiding or reducing the rates liability.
185. The key legislation is The Non-Domestic Rates (Miscellaneous Anti-avoidance Measures) (Scotland) Regulations 2023.

### **Artificial non-domestic rates avoidance arrangements**

186. A local authority must be satisfied that there is an artificial avoidance arrangement and the main purpose, or one of its main purposes, is to gain an advantage. The Non-Domestic Rates (Scotland) Act 2020 explains what is meant by an "advantage", "non-domestic rates avoidance arrangements" and "artificial".<sup>40</sup>
187. An 'advantage' is anything that reduces the amount of rates payable, delays payment of the rates or results in repayment of rates.
188. A non-domestic rates 'avoidance arrangement' includes any agreement, transaction, undertaking, action and event, whether legally enforceable or not, that has the main purpose, or one of the main purposes, of gaining a non-domestic rates advantage.
189. Arrangements are 'artificial' where either of the following apply:
- entering into, or carrying out, the arrangement is not a reasonable course of action in relation to the non-domestic rates provisions, in the circumstances. Factors to be taken into account include whether the substantive results of the arrangement are consistent with express or implied principles on which the provisions are based and

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<sup>40</sup> Part 4, section 38-40 Non-Domestic Rates (Scotland) Act 2020

the policy underpinning the provisions, and whether the arrangement is intended to exploit shortcomings (or loopholes) in them.

- the arrangement lacks economic or commercial substance. A lack of economic or commercial substance may be indicated by:
  - the arrangement is carried out in a manner which would not normally be employed in reasonable business conduct,
  - the legal characterisation of the steps in the arrangement is inconsistent with the legal substance of the arrangements as a whole,
  - the arrangement includes elements which have the effect of offsetting or cancelling each other,
  - transactions are circular in nature,
  - the arrangement results in an advantage that is not reflected in the business risks undertaken.

190. This only applies to tenancies or other arrangements entered into, or physical changes to a property, on or after 1 April 2023.

### **Transferring liability to an owner**

191. In certain circumstances, a local authority may transfer non-domestic rates liability from the occupier of a rateable property to the owner. These circumstances are where the tenancy or arrangement is not on a commercial basis, where a new occupier enters insolvency within 12 months and/or where the occupier or liable person displays particular characteristics or behaviours.

#### Tenancy is not on a 'Commercial Basis'

192. Common features distinguish a tenancy not on a 'commercial basis' from legitimate leases entered into for a legitimate commercial reason. The circumstances for a tenancy not being on 'commercial basis' are:

- there has been no change to the occupation of the lands and heritages since the tenancy or other arrangement took effect
- the lands and heritages are being occupied by a person or body other than the person or body named in the tenancy or other arrangement
- payment of the rent for the lands and heritages is optional in terms of the relevant tenancy or other arrangement
- the rent charged for the lands and heritages is significantly below the level of the rent (nominal or peppercorn rent) which could reasonably have been obtained for the lands and heritages on the open market at the time the tenancy or other arrangement was entered into
- payment of the rent for the lands and heritages is offset or cancelled, in whole or in part, by other transactions or arrangements, whether individually or as a whole
- the arrangement has been identified in the tenancy or other arrangement as being for the purpose of mitigating rates liability
- the occupier, or the person or body entering the tenancy or other arrangement, has no assets that are directly linked to the economic use being made of the lands and heritages.

#### Wound up within the first 12 months of Tenancy

193. Where a new occupier enters into insolvency within 12 months from the start of the lease the owner can be treated as liable for non-domestic rates in the following circumstances.

194. The liable occupier is a body being wound up voluntarily under the Insolvency Act 1986, within a period of 12 months from the date on which the property first became occupied under the lease agreement, and:
- the property continues to be occupied, including by a person or body other than the body which has entered the tenancy or other arrangement; or
  - the liability holder is in receipt of mandatory non-domestic rates relief.

### Characteristics and Behaviours of the Occupier

195. There are a number of characteristics and behaviours of the occupying party which, when coupled with the presence of a non-domestic rates advantage, are strong indicators of avoidance. As listed in the Regulations these are:
- the occupier fails to provide the name of a person who is liable for payment of the rates, or who is liable on behalf of the occupier;
  - the person liable for payment of the rates, or liable on behalf of the occupier, is a person who has no connection to the operation taking place on the lands and heritages;
  - the person liable for payment of the rates, or liable on behalf of the occupier, is a person who is an employee or a contractor of the owner of the lands and heritages, or who is the partner or a close relative of the owner,
  - the person liable for payment of the rates, or liable on behalf of the occupier, has within the period of two years prior to the date on which the tenancy or other arrangement was entered:
    - carried out the business or exercised the borrowing powers of a public company which did not have a trading certificate, contrary to section 761(1) of the Companies Act 2006,
    - have been declared by a court to be liable to make a contribution to the assets of a company, in the course of its winding up, as a result of:
      - (i) knowingly having been a party to the carrying on of business in the manner described in section 213(1) of the Insolvency Act 1986 (fraudulent trading) or section 246ZA(1) of that Act (fraudulent trading: administration), or
      - (ii) being or having been a director to whom section 214(2) of that Act (wrongful trading) or section 246ZB (wrongful trading: administration) of that Act applies,
    - have had a disqualification order made against them, or a disqualification undertaking accepted, under the Company Directors Disqualification Act 1986,
    - have been convicted of a contravention of section 216 of the Insolvency Act 1986 (restriction on re-use of company names),
    - have been subject to a bankruptcy restrictions order, or a bankruptcy restrictions undertaking, under the Bankruptcy (Scotland) Act 2016, the Insolvency Act 1986, or the Insolvency (Northern Ireland) Order 1989, or
    - have been issued a notice under section 20 of the 2020 Act (non-use or underuse of lands and heritages: notification) in relation to which the local authority has, following the expiry of the period mentioned in section 20(5)(b) or receipt of an explanation from the ratepayer, concluded that either of the conditions in section 20(3) or (4) of that Act have been satisfied.

### Requirement to notify – information notice

196. Before transferring liability the local authority must notify the owner of the intention to treat them as liable for non-domestic rates, explaining the reason, the dates from which it will take effect and where relevant, the discontinuation of any relief.

197. The owner can make written representation within 28 days to demonstrate that the tenancy or other arrangement does not have as a main purpose the gaining of an artificial advantage, or to agree an alternative payment arrangement.
198. A final notice must be issued by the local authority before liability can be transferred to an owner. The final notice should set out that the owner is to be treated as liable to pay the non-domestic rates, the reason for the decision, including a summary of consideration of any representations received; the rates liability (and any relief removed); and the date it will have effect.
199. A final notice must be issued within 28-days from the last day on which representation can be submitted. The date of effect must be no earlier than 28 days after the date on which the final notice is to be presumed to have been received, unless they have engaged in the practice in the past. If there is a repeat engagement within the next five years, then they may be treated as liable from the start of the lease or other arrangement which is ongoing at the time of the transfer.

### **Disregarding Physical Changes to Empty Properties**

200. Where physical change has been made to a property certain conditions are met, and the action deemed as artificial and for the purposes of gaining an advantage, a local authority can treat the property as if the change had not taken effect and levy rates based on the rateable value which applied prior to that change to the property.
201. The following conditions must be met:
- prior to 1 April 2023 the property was either not charged rates, or charged lower rates, due to being unoccupied;
  - the change was made and took effect after 1 April 2023;
  - there is no evidence of an intention to use the lands and heritages for economic activity in the future;
  - the local authority is satisfied that the change was artificial with a main purpose of gaining of an advantage and avoiding rates liability.

#### Requirement to notify – information notice

202. Before a change can be disregarded, the local authority must notify the owner or occupier of the intention to counteract the change, and the reason for it.
203. The owner can make written representation within 28 days to demonstrate that the change was not intended to gain an artificial advantage.
204. A final notice must be issued within 28-days from the last day on which representation can be submitted. This must include the final decision on whether the liability should be adjusted to reflect the change, reasons for it and any change in rates liability arising as a result. Liability will be based on the rateable value which applied the day before it was revised to reflect the change to the premises.

## **FURTHER INFORMATION**

205. If further information on NDR reliefs is required, please email the Scottish Government at [ndr@gov.scot](mailto:ndr@gov.scot).

206. The Scottish Government's Subsidy Control Unit can be emailed at [subsidycontrol@gov.scot](mailto:subsidycontrol@gov.scot).

207. Please note that the Scottish Government cannot offer legal advice or intervene in relation to individual cases.

**Scottish Government**

**April 2023**

## **ANNEX B – EXAMPLE OF SUPPORTING DOCUMENTARY EVIDENCE**

Relating to whether a property is unoccupied, examples of supporting documentary evidence include:

- Lease/Licence to occupy agreement
- Insurance documents – employee liability insurance, public liability insurance and contents insurance
- Trading accounts (audited)
- Employee pay records/national insurance records including evidence tax payments and national insurance returns to HMRC
- VAT registration certification and VAT returns
- Bank account statements
- HMRC tax assessment
- Evidence of rent changing hands between tenant/landlord – debit in bank statements and payments recorded in company accounts
- Invoices and utility bills – please provide evidence of payments made by occupying company utility bills
- Dated receipts or invoices for work carried out in the refurbishment of the property, showing the date of the work and the subject address
- Dated receipts for materials purchased for the refurbishment of the property, showing that the materials were delivered to the subject address
- Copy of a 'To Let' advert, showing the date of publication and the subject address of the property
- Copy of the invoice for the 'To Let' advert showing the date of the publication and the address of the property
- Signed statement or dated marketing brochure from a letting or property agent (if the agent completes the application form, no documentary evidence is necessary)
- Signed and dated statements from two or more neighbouring businesses or residents, including details of the unoccupied period, the address in question and the names, addresses and contact telephone number of both neighbours (councils may accept one such statement submitted by the applicant's solicitor, provided that their premises are in the vicinity of the applicant's); the signatories should be identifiable on either the valuation roll or valuation list relating to the address and time period in question
- Photographs showing both the inside and outside of the property, and demonstrating the date taken

Relating to properties prohibited by law from occupation, examples of supporting documentary evidence include:

- written confirmation that the property is unfit for occupation from either the council's building control section or its environmental health section
- written confirmation from Police Scotland or the Scottish Fire and Rescue Service in the event the property does not meet regulation standards or in the case of fire damage

## **ANNEX C - ACTIVITIES ELIGIBLE FOR ENTERPRISE AREAS RELIEF**

In the life sciences enterprise area:

- Bioinformatics and health informatics
- Deployment of information and communications technology to persons engaged in hospital, medical, dental, residential care and other human health activities
- Drug development
- Experimental and translational medicine and clinical research
- Industrial biotechnology
- Manufacture of basic pharmaceutical products
- Manufacture of electronic components and boards
- Manufacture of instruments and appliances for measuring, testing and navigation
- Manufacture of irradiation, electromedical and electrotherapeutic equipment
- Manufacture of medical and dental instruments and supplies
- Manufacture of optical instruments and photographic equipment
- Manufacture of pesticides and other agrochemical products
- Manufacture of pharmaceutical preparations
- Medical technologies
- Pharmaceutical services, including contract research
- Research and development into, and the manufacture of, medical devices and pharmaceuticals
- Research and experimental development on natural sciences and engineering
- Stem cells and regenerative medicine
- Veterinary medicine
- Wholesale of pharmaceutical goods

In the low carbon/renewables enterprise areas: the design, fabrication, manufacture and assembly of components required for the generation of renewable energy by the technologies described in Schedule 2 of the Renewables Obligation (Scotland) Order 2009, including foundations and substructures (fixed or floating), towers, blades and nacelles, and research and development connected to those activities.

In the general manufacturing and growth sectors enterprise area:

- Creative Clyde
  - Activities involved in the programming, production, post-production, digital distribution or broadcasting of motion picture, video, television, radio, computer games, internet channels or websites
  - Architectural design
  - Digital animation
  - Digital design
  - Digital publishing of books, magazines, journals, periodicals, computer games or music
  - Production of digital advertising or digital marketing materials
  - Software development
  - Sound recording or reproduction of sound recording
- Prestwick International
  - Manufacture of aircraft or spacecraft or related machinery
  - Repair or maintenance of aircraft or spacecraft or related machinery
  - Manufacture of aircraft parts or components
  - Repair or maintenance of aircraft parts or components
  - Distribution of aircraft parts or components
  - Design or development of aircraft, aero-engines or aircraft components

- Certification of aircraft, aero-engines or aircraft components
- Manufacture of aircraft, aero-engines or aircraft components
- Manufacture of electronic systems used on aircraft, spacecraft or related machinery
- Repair or maintenance of electronic systems used on aircraft, spacecraft or related machinery
- Design or development of electronic systems used on aircraft, spacecraft or related machinery
- Design or development of aerospace-related software
- Provision of aerospace-related logistics services
- Research and development into aerospace-related materials or aerostructures
- Design or development of aerospace-related design systems or manufacturing systems
- Manufacture of aerospace-related design systems or manufacturing systems
- Other aerospace or aviation-related equipment development, manufacture or maintenance activities
- West Lothian
  - Food Manufacture
    - i. Manufacture of breakfast cereals or cereals-based food
    - ii. Manufacture of edible oils, margarine or fats
    - iii. Manufacture of fruit juice or vegetable juice
    - iv. Manufacture of milk products
    - v. Manufacture of pasta, noodles, couscous or similar farinaceous products
    - vi. Manufacture of pastry, biscuits or cake products
    - vii. Manufacture of prepared feeds for farm animals or prepared pet food
    - viii. Manufacture of prepared meals or dietetic food, including specially prepared low calorie food or food prepared for specific dietary requirements
    - ix. Manufacture of sugar, cocoa or chocolate, or of confectionery based on any of these products
    - x. Processing and preserving of fruit or vegetables
    - xi. Processing and preserving of meat, poultry, fish, crustaceans or molluscs
    - xii. Production of meat, poultry or fish products
    - xiii. Production of coffee or coffee substitutes
    - xiv. Production of liquid milk, cream, butter or cheese
    - xv. Grain milling
    - xvi. Tea processing
  - Beverage Manufacture
    - i. Distilling, rectifying or blending of spirits
    - ii. Manufacture of malt, wine, beer, cider or other non-distilled fermented beverages
    - iii. Manufacture of soft drinks
    - iv. Production of bottled water

## ANNEX D – SMALL BUSINESS BONUS SCHEME WORKED EXAMPLES

Note: These worked examples do not include interactions with transitional relief schemes which are covered in the Transitional Relief Worked Examples.

### Example 1

Ratepayer is liable for rates on one property.  
RV in 2023-24 is £10,000.

Gross liability =  $10,000 \times 0.498 = £4,980$ .

As the rateable value is less than £12,000, then 100% relief is awarded.

Bill in 2023-24 = £0

### Example 2

Ratepayer is liable for rates on one property.  
RV in 2023-24 is £14,000.

Gross liability =  $£14,000 \times 0.498 = £6,972$

As the rateable value is between £12,001 and £15,000, then relief percentage is calculated according to the following formula:  $100 - (75 \times (1 - \frac{(15000 - RV)}{3000}))$

Relief percentage =  $100 - (75 \times (1 - \frac{(15000 - 14000)}{3000}))$

Relief percentage =  $100 - (75 \times (1 - 0.33333...))$

Relief percentage =  $100 - 50$

Relief percentage = 50

$£6,972 \times 50\% = £3,486$

Bill in 2023-24 =  $£6,972 - £3,486 = £3,486$

### Example 3

Ratepayer is liable for rates on one property.  
RV in 2023-24 is £16,000.

Gross liability =  $£16,000 \times 0.498 = £7,968$

As the rateable value is greater than £15,000, then the relief percentage is calculated according to the following formula:  $25 \times (\frac{(20000 - RV)}{5000})$

Relief percentage =  $25 \times (\frac{(20000 - 16000)}{5000})$

Relief percentage =  $25 \times 0.8$

Relief percentage = 20%

$£7,968 \times 20\% = £1,593.60$

Bill in 2023-24 =  $£7,968 - £1,593.60 = £6,374.40$

#### Example 4

Ratepayer is liable for rates on one property.  
RV in 2023-24 is £25,000.

Gross liability =  $25,000 \times 0.498 = £12,450$ .

As the rateable value is greater than £20,000, no relief is awarded.

Bill in 2023-24 = £12,450.

#### Example 5

Ratepayer is liable for rates on more than one property, but the cumulative rateable value does not exceed £12,000.

RV for the individual property in 2023-24 is £10,000.

Gross liability =  $10,000 \times 0.498 = £4,980$ .

As the cumulative rateable value is less than £12,000, then 100% relief is awarded.

Bill in 2023-24 = £0.

#### Example 6

Ratepayer is liable for rates on more than one property, and the cumulative rateable value exceeds £12,000, but does not exceed £35,000.

RV for the individual property in 2023-24 is £14,000.

Gross liability =  $£14,000 \times 0.498 = £6,972$

As the cumulative rateable value is between £12,001 and £35,000 and the individual rateable value does not exceed £15,000, 25% relief is awarded.

$£6,972 \times 25\% = £1,743$

Bill in 2023-24 =  $£6,972 - £1,743 = £5,229$

#### Example 7

Ratepayer is liable for rates on more than one property, and the cumulative rateable value exceeds £12,000, but does not exceed £35,000.

RV in 2023-24 is £16,000.

Gross liability =  $£16,000 \times 0.498 = £7,968$

As the rateable value is between £15,001 and £20,000, then the relief percentage is calculated according to the following formula:  $25 \times \left( \frac{(20000 - RV)}{5000} \right)$

Relief percentage =  $25 \times \left( \frac{(20000 - 16000)}{5000} \right)$

Relief percentage =  $25 \times 0.8$

Relief percentage = 20%

$£7,968 \times 20\% = £1,593.60$

Bill in 2023-24 =  $£7,968 - £1,593.60 = £6,374.40$

### Example 8

Ratepayer is liable for rates on more than one property, and the cumulative rateable value is greater than £35,000.

RV in 2023-24 is £10,000.

Gross liability =  $10,000 \times 0.498 = £4,980$ .

As the cumulative rateable value is greater than £35,000, then no relief is awarded.

Bill in 2023-24 = £4,980.

## ANNEX E – TRANSITIONAL RELIEFS WORKED EXAMPLES

### Example 1

RV in 2022-23 of **£19,000**; the property was not in receipt of any relief.  
Gross bill for 2022-23 of £9,462 (£19,000 x 49.8p).

RV in 2023-24 of **£22,000**.  
Gross bill for 2023-24 of £10,956 (£22,000 x 49.8p).  
The bill increase is £1,494 (£10,956 - £9,462).

The Revaluation Transitional relief cap to be applied is **25.0%** (Medium property, with an RV in 2023-24 between £20,001 and £100,000), which is greater than the 15.8% increase in gross bill (£1,494 / £9,462 = 15.8%), and therefore does not apply in this case.

### No Revaluation Transitional Relief.

### Example 2

RV in 2022-23 of **£20,000**; the property was not in receipt of any relief.  
Gross bill for 2022-23 of £9,960 (£20,000 x 49.8p).

RV in 2023-24 of **£30,000**.  
Gross bill for 2023-24 of £14,940 (£30,000 x 49.8p).  
The bill increase is £4,980 (£14,940 - £9,960).

The Revaluation Transitional relief cap to be applied is **25.0%** (Medium property, with an RV in 2023-24 between £20,001 and £100,000), which is lower than the 50.0% increase in gross bill (£4,980 / £9,960 = 50.0%), and therefore applies in this case.

**Revaluation Transitional relief reduces the bill from £14,940 to £12,450** (£9,960 + £2,490; 25.0% x £9,960 = £2,490)

### Example 3

RV in 2022-23 of **£45,000**; the property was not in receipt of any relief.  
Gross bill for 2022-23 of £22,410 (£45,000 x 49.8p).

RV in 2023-24 of **£55,000**; the property is liable to pay the intermediate property rate.  
Gross bill for 2023-24 of £28,105 (£55,000 x (49.8p + 1.3p) ).  
The bill increase is £5,695 (£28,105 - £22,410).

The Revaluation Transitional relief cap to be applied is **25.0%** (Medium property, with an RV in 2023-24 between £20,001 and £100,000), which is lower than the 25.4% increase in gross bill (£5,695 / £22,410 = 25.4%), and therefore applies in this case.

**Revaluation Transitional relief reduces the bill from £28,105 to £28,013** (£22,410 + £5,603; 25.0% x £22,410 = £5,603)

### Example 4

RV in 2022-23 of **£10,000**; the property was not in receipt of any relief.  
Gross bill for 2022-23 of £4,980 (£10,000 x 49.8p).

RV in 2023-24 of **£20,000**.

Gross bill for 2023-24 of £9,960 (£20,000 x 49.8p).

The bill increase is £4,980 (£9,960 - £4,980).

The Revaluation Transitional relief cap to be applied is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 100.0% increase in gross bill (£4,980 / £4,980 = 100.0%), and therefore applies in this case.

**Revaluation Transitional relief reduces the new bill from £9,960 to £5,603** (£4,980 + £623;  
12.5% x £4,980 = £623)

### Example 5

RV in 2022-23 of **£10,000**; the property received 100% mandatory relief other than SBBS or Mandatory Rural Rates relief<sup>41</sup> on the 31<sup>st</sup> March 2023.

Gross bill for 2022-23 of £4,980 (£10,000 x 49.8p). Net bill is £0.

RV in 2023-24 of **£20,000**.

Gross bill for 2023-24 of £9,960 (£20,000 x 49.8p).

The increase in gross bills is £4,980 (£9,960 - £4,980).

The Revaluation Transitional relief cap to be applied to the gross bill is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 100.0% increase in gross bills (£4,980 / £4,980 = 100.0%), and therefore applies in this case.

**Revaluation Transitional relief reduces the gross bill from £9,960 to £5,603** (£4,980 + £623; 12.5% x £4,980 = £623);

If the property is still eligible for the 100% mandatory relief, the new net bill is £0.

### Example 6

RV in 2022-23 of **£10,000**; the property received 100% SBBS relief on the 31 March 2023.

Gross bill for 2022-23 of £4,980 (£10,000 x 49.8p). Net bill for 2022-23 of £0.

RV in 2023-24 of **£18,000**; the property is eligible for 10% SBBS.

Gross bill for 2023-24 of £8,964 (£18,000 x 49.8p).

The increase in gross bills is £3,984 (£8,964 - £4,980).

The Revaluation Transitional relief cap to be applied is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 80% increase in gross bills (£3,984 / £4,980 = 80.0%), and therefore applies in this case.

**Revaluation Transitional relief (TR) reduces the gross bill from £8,964 to £5,603** (£4,980 + £623; 12.5% x £4,980 = £623).

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<sup>41</sup> Note the treatment of properties in receipt of Fresh Start Relief, Business Growth Accelerator Relief or EPR may differ and the calculation of the new bill will depend on the particular circumstances of the property.

The new RV results SBBS relief to be reduced from 100% in 2022-23 to 10% in 2023-24 (due to the operation of the taper). The 10% SBBS relief reduces the gross bill after TR down to £5,043 ( $£5,603 \times 90\% = £5,043$ ).

As the property previously received 100% SBBS on the 31 March 2023, the Small Business Transitional Relief Bill Cap is to be applied. The net bill (or deemed amount) on the 31<sup>st</sup> March 2023 was £0, and the bill cap to be applied for properties that were in receipt of SBBS is £600 ( $£0 + £600$ ). This is lower than the £5,043 new net bill, and therefore applies in this case. **The Small Business Transitional Relief Bill Cap reduces the new net bill from £5,043 to £600.**

**The general Transitional Relief reduces the gross bill from £8,964 to £5,603. The new SBBS design reduces the new net bill to £5,043. And, lastly, Small Business Transitional Relief Bill Cap reduces the new net bill to £600.**

### Example 7

RV in 2022-23 of **£10,000**; the property received 100% SBBS relief on the 31<sup>st</sup> of March 2023.

Gross bill for 2022-23 of £4,980 ( $£10,000 \times 49.8p$ ). Net bill for 2022-23 of £0.

RV in 2023-24 of **£16,000**; the property is eligible for 20% SBBS relief.

Gross bill for 2023-24 of £7,968 ( $£16,000 \times 49.8p$ );

The gross bill increase is £2,988 ( $£7,968 - £4,980$ ).

The Transitional Relief cap to be applied is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 60.0% increase in gross bills ( $£2,988 / £4,980 = 60.0\%$ ), and therefore applies in this case.

**Transitional relief (TR) reduces the gross bill from £7,968 to £5,603** ( $£4,980 + £623$ ;  $12.5\% \times £4,980 = £623$ ).

The new RV results SBBS relief to be reduced from 100% in 2022-23 to 20% in 2023-24 (due to the operation of the taper). The 20% SBBS relief reduces the gross bill after TR from £5,603 to £4,482 ( $£5,603 \times 80\% = £4,482$ ).

As the property previously received 100% SBBS on the 31<sup>st</sup> of March 2023, the Small Business Transitional Relief Bill Cap is to be applied. The net bill (or deemed amount) on the 31<sup>st</sup> March 2023 was £0 and the bill cap to be applied for properties that were in receipt of SBBS is £600 ( $£0 + £600$ ). This is lower than the £5,043 new net bill, and therefore applies in this case. **The Small Business Transitional Relief Bill Cap reduces the new net bill from £4,482 to £600.**

**The general Transitional Relief reduces the gross bill from £7,968 to £5,603. The new SBBS design reduces the new net bill to £4,482. And, lastly, the Small Business Transitional Relief Bill Cap reduces the new net bill to £600.**

### Example 8

RV in 2022-23 of **£7,500**; the property received 100% SBBS relief on the 31 March 2023.

Gross bill for 2022-23 of £3,735 ( $£7,500 \times 49.8p$ ). Net bill for 2022-23 is £0.

RV in 2023-24 of **£12,500**; the property is eligible for 87.5% SBBS relief.

Gross bill for 2023-24 of £6,225 (£12,500 x 49.8p);  
The gross bill increase is £2,490 (£6,225 - £3,735).

The Revaluation Transitional Relief cap to be applied is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 66.7% increase in gross bills (£2,490 / £3,735 = 66.7%), and therefore applies in this case.

**Revaluation Transitional relief (TR) reduces the bill from £6,225 to £4,202 (£3,735 + £467; 12.5% x £3,735 = £467).**

The 87.5% SBBS relief reduces the gross bill from £4,202 to £525 (£4,202 x 12.5% = £525). Although, the property previously received 100% SBBS on the 31 March 2023, the Small Business Transitional Relief Bill Cap does not apply in this case. This is because the new net bill (or deemed amount) plus the £600 cap (£0 + £600) is greater than the new net bill before the cap is applied (£525). The new net bill remains at £525.

**Transitional Relief reduces the gross bill from £6,225 to £4,202. SBBS relief reduces the net bill from £4,202 to £525. £525 is lower than the Small Business Transitional Relief Bill Cap (£600), therefore the new net bill is £525.**

### Example 9

The property is a merger of two old entries.  
RV in 2022-23 of **£30,000** and **£40,000**; total gross bill for 2022-23 of £34,860 ((£30,000 x 49.8p) + (£40,000 x 49.8p)). Neither property is in receipt of a relief.

RV in 2023-24 of **£90,000**.  
Gross bill for 2023-24 of £45,990 (£90,000 x (49.8p + 1.3p)).  
The gross bill increase is £11,130 (£45,990 - £34,860).

The Revaluation Transitional Relief cap to be applied is **25.0%** (Medium property, with an RV in 2023-24 between £20,001 and £100,000), which is lower than the 31.9% increase in gross bills (£11,130 / £34,860 = 31.9%), and therefore applies in this case.

**Revaluation Transitional relief reduces the bill from £45,990 to £43,575 (£34,860 + £8,715; 25.0% x £34,860 = £8,715).**

### Example 10

The property is a split or re-organisation, taking effect on 1 April 2023.

RV in 2023-24 of **£16,000**.

Gross bill for 2023-24 is £7,968 (£16,000 x 49.8p); the property is eligible for 20% SBBS relief for 2023-24.

In order to calculate Revaluation Transitional Relief in the case of a split property, the gross bill in 2023-24 is adjusted by a relevant factor to arrive at a 'base liability' (1.2 for a small property with an RV of £20,000 or less, 1.25 for a medium property with an RV between £20,001 and £100,000 or 1.4 for a property with an RV of over £100,000). In this case the factor is 1.2, so the base liability is £6,640 (£7,968 ÷ 1.2). The Revaluation Transitional Relief cap to be applied is **12.5%** (Small property, with a 2023-24 RV up to £20,000).

The cap is applied to the base liability (£6,640 x 1.125 = £7,470). As this amount is lower than the £7,968 gross bill, transitional relief has an effect and the new gross bill is £7,470.

A 20% SBBS relief is applied to the new gross bill. **This reduces the new bill from £7,470 to £5,976** (a relief of £1,494 is awarded).

### Example 11

The property is a new entry on the valuation roll. The property was previously exempt as it was located in a public park. The property is not eligible for a relief (other than Parks Transitional Relief), e.g. due to the ratepayer cumulative RV being over £35,000.

The RV in 2023-24 is £15,000.

Gross bill for 2023-24 is £7,470 (£15,000 x 49.8p).

In order to calculate Parks Transitional Relief in the case of a new property, a relief of 67% is applied to the gross bill in 2023-24. In this case, the Parks Transitional Relief reduces the new bill from £7,470 to £2,465 (a relief of £5,005 is awarded).

### Example 12

A property similar to that in example 7 receives Revaluation Transitional Relief from 1<sup>st</sup> of April 2023. An extension to the property is made with effect from 1<sup>st</sup> September 2023.

RV in 2022-23 of **£10,000**; the property received 100% SBBS relief on the 31 March 2023.

RV in 2023-24 on the 1 April is **£16,000**; the property is eligible for 20% SBBS relief.

After an extension/improvement, the RV of the property in 2023-24 on the 1 September is **£24,000**; the property is not eligible for SBBS relief

### Net Bill from the 1 April to 31 of August 2023

See example 7 for detail

The general Transitional Relief reduces the gross bill from £7,968 to £5,603. The new SBBS design reduces the new net bill to £4,482. And, lastly, the Small Business Transitional Relief Bill Cap reduces the new net bill to £600. This is apportioned for the 153 days between 1 April and 31 August, with the resulting net bill  $£600 * (153/366) = £250.82$ .

### Net Bill from the 1 September 2023 to the 31 March 2024

From the 1 September 2023, the RV of the property increases from £16,000 to £24,000.

The Revaluation Transitional Relief cap to be applied remains 12.5% (Small property, with an RV in 2023-24 up to £20,000) because the relevant RV for the calculation is the RV on 1 April 2023. This is lower than the 60.0% increase in the annual gross bill on the 1<sup>st</sup> of April ( $£2,988 / £4,980 = 60.0\%$ ), and therefore applies in this case.

Transitional relief (TR) reduces the annual gross bill from £7,968 to £5,603 (£4,980 + £623;  $12.5\% * £4,980 = £623$ ). Added to this, is the Gross Bill resulting from the additional

RV from 1 September (£8,000\*0.498 = £3,984). Therefore the total annual Gross Bill from 1 September 2023 is £9,587.

No SBBS relief is awarded from 1 September 2023, because RV is over £24,000. The additional RV of £8,000 is an eligible increase for 100% Business Growth Accelerator (BGA) relief. The annual amount of BGA relief (A) is therefore £8,000\*0.498 = £3,984 and applies from 1 September 2023.

As the property previously received 100% SBBS on the 31 March 2023, the Small Business Transitional Relief Bill Cap is still to be applied. The net bill (or deemed amount) on the 31 March 2023 was £0 and the bill cap to be applied for properties that were in receipt of SBBS is £600 (£0 + £600). This is lower than the £5,043 new net bill, and therefore applies in this case. The **Small Business Transitional Relief Bill Cap reduces the new net bill from £4,482 to £600.**

The formula for the net bill for the period from 1 September is given by the following:

Where DA is the 'deemed amount'. This is the net bill of the property in 2022-23 In which in this case is £0 as the property previously received full relief, £600 is added to this figure to reflect the small business transitional relief cap.<sup>42</sup>

CRV is the current RV of £24,000

RV is the RV on the 1 April of £16,000

PF is the relevant poundage rate (0.498 as neither of the supplements apply)

Z is another relief the property is eligible for on the £8,000 increase in RV excluding BGA. In this case, no relief is awarded because BGA is awarded at 100%.

The net bill for each day is calculated by the formula:

$$\frac{DA + 600 + \left( ((CRV - RV) * PF) - A \right) * (100\% - Z)}{366}$$

Given the above figures, the net bill for each day between 1 September 2023 and 31 March 2024 is:

$$\frac{0 + 600 + \left( ((24,000 - 16,000) * 0.498) - 3,984 \right) * (100\% - 0\%)}{366} = \frac{600}{366}$$

There are 213 days in this period, therefore the total net bill between 1 September 2023 and 31 March 2024 is:

$$\frac{600}{366} * 213 = £349.18$$

This is added to the figure calculated above for the period between 1 April 2023 and 31 August 2023 of £250.82, for a total of £250.82 + £349.18 = £600.

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<sup>42</sup> Note if the new net bill is less than £600 higher than the net bill on the 31<sup>st</sup> of March, then DA + 600 is discarded and the new net bill is used instead.

### Example 13

A property with an RV of **£10,000** on the 30 September 2022 completes an extension or improvement, increasing RV to **£12,000** effective from the 1 October 2022. This increase in RV of £2,000 is eligible for 100% Business Growth Accelerator (BGA) Relief (£2,000\*0.498=£996) worth 16.66% of the Gross Bill of the property for 6 months of 2022-23 and a further 6 months, after the revelation, in 2023-24. The property is also in receipt of 80% Mandatory Charity Relief on the £10,000 RV that is not subject to 100% BGA relief.

RV in 2023-24 on the 1 April is increased to **£16,000**; the property remains eligible for Mandatory Charity Relief and Business Growth Accelerator Relief (for a period of 6 months).

On the 31 March, the property has a Gross Bill of £5,976 and received BGA relief of £996 (£2,000\*0.498) and Mandatory Charity Relief of £3,984 (£10,000\*0.498\*80%). The property therefore had a Net Bill of £996.

On the 1 April 2023-24, the new RV is £16,000 and the Gross Bill is £7,968. The Revaluation Transitional Relief cap to be applied is **12.5%** (Small property, with an RV in 2023-24 up to £20,000), which is lower than the 33% increase in gross bills (£7,968 / £5,976 = 33%), and therefore applies in this case.

**Revaluation Transitional relief** reduces the bill from £7,968 to £6,723 (£5,976 + £747; 12.5% x £5,976 = £6,723).

The property is eligible for 16.66% BGA relief on the new gross bill (£6,723\*16.66% = £1,120.05) and 80% Mandatory Charity Relief (£6,723\*80%=£5,378.4). Therefore, the total net Bill on the 1 April is £224.10. This annual net bill is relevant for the period 1 April to 30 of September (183 days).

From 1 October 2023, the property is no longer eligible for BGA relief and this relief therefore expires. The Net Bill increases to £1,344.6 for the remaining 183 days of the 2023-24 financial year.

**For 2023-24 the Final Net Bill is therefore given by:**

$$£224.1*(183/366) + 1,344.6*(183/366) = £784.35$$

**Please note that these are illustrative examples only. The administration of non-domestic rates reliefs is a matter for local authorities, and this will include the order in which they apply different reliefs which may affect the calculations in this or similar scenarios.**