

# Scottish Procurement Policy Note: SPPN 5/2023

## Public procurement- updates to procurement thresholds: SPPN 5/2023

### Purpose

This policy note provides changes to financial thresholds to the Public Contracts (Scotland) Regulations 2015, the Utilities Contracts (Scotland) Regulations 2016 and the Concession Contracts (Scotland) Regulations 2016.

### Key points

- threshold values will be updated and are relevant to procurement exercises which commence on, or after, 1 January 2024
- no changes have been made to the treatment of VAT since the publication of SPPN 8/2021

### Background

Scottish Ministers must revise the threshold values of the procurement regulations every two years to ensure that they remain aligned to thresholds set out in the World Trade Organisation's Government Procurement Agreement (GPA).

Under the rules of the GPA, the procurement thresholds must include VAT.

### Treatment of VAT

Wherever VAT may be payable under a contract, purchasers must ensure that an allowance for VAT is included in the calculation of the estimated value of the contract for the purposes of determining whether the contract equals or exceeds the new threshold values.

Unless purchasers are able to demonstrate that a lower (or no) rate of VAT applies to a contract, a suggested method of calculating the estimated value of a contract is to add the standard rate of VAT (currently 20%) to the net contract estimate. As this is the highest rate of VAT which is chargeable in the UK, purchasers will avoid underestimating the contract's value if this is used.

If the contract's subject matter is exempt from VAT or zero rated VAT, then purchasers do not need to include VAT when calculating the estimated value of the contract.

If VAT is initially payable but later recoverable it must be included in the calculation of the estimated value of the contract.

Including VAT in calculating the estimated value of a contract only applies when estimating the value of a contract to determine whether it equals, or exceeds, the new threshold values. This in turn determines which set of regulations apply; for example, whether the contract opportunity notice and award notice will be published on the UK-wide Find a Tender Service website.

When filling out the estimated contract value in a contract opportunity notice or a contract award notice on PCS, purchasers should continue to input the value as a figure excluding VAT.

#### [Procurement Reform \(Scotland\) Act 2014](#)

The threshold values of the Procurement Reform (Scotland) Act 2014 are not revised every two years and have not changed, remaining £50,000 for goods and services, and £2 million for works contracts. Likewise, the method for calculating the estimated contract value of procurement which falls under the Act has not changed and remains exclusive of VAT.

#### [New threshold values](#)

Summary of updated threshold values from 1 January 2024 are detailed below.

#### [The Public Contracts \(Scotland\) Regulations 2015](#)

Supplies and services (except subsidised services contracts)

Bodies listed in Schedule 1

New threshold £139,688

Indicative value excluding 20% VAT £116,407

All other bodies

New threshold £214,904

Indicative value excluding 20% VAT £179,087

Subsidised service contracts

New threshold £214,904

Indicative value excluding 20% VAT £179,087

Works

All bodies new threshold £5,372,609

Indicative value excluding 20% VAT £4,477,174

Light touch regime for services (unchanged)

All bodies threshold £663,540

Indicative value excluding 20% VAT £552,950

Small lots – supplies and services (unchanged)

Supplies and services threshold £70,778

Indicative value excluding 20% VAT £58,982

Small lots – works (unchanged)  
Threshold £884,720  
Indicative value excluding 20% VAT £737,267

#### The Utilities Contracts (Scotland) Regulations 2016

Supplies and services  
All sectors new threshold £429,809  
Indicative value excluding 20% VAT £358,174

Works  
All sectors new threshold £5,372,609  
Indicative value excluding 20% VAT £4,477,174

Small lots – supplies and services (unchanged)  
Supplies and services threshold £70,778  
Indicative value excluding 20% VAT £58,982

Small lots – works (unchanged)  
Threshold £884,720  
Indicative value excluding 20% VAT £737,267

#### The Concession Contracts (Scotland) Regulations 2016

Concession contracts new threshold £5,372,609  
Indicative value excluding 20% VAT £4,477,174

#### The Procurement Reform (Scotland) Act 2014 (unchanged)

Public contract (other than a public works contract) threshold £50,000 (ex VAT)  
Public works contract new threshold £2,000,000 (ex VAT)

#### Action required

For procurement processes which commence on or after 1 January 2024 contracting authorities must:

- apply the revised thresholds laid out above
- consider VAT when calculating the estimated value of a procurement for the purpose of determining whether that contract meets or exceeds the new threshold values

#### Public bodies are reminded that:

- when calculating the total value of the contract, all lots and contractual options should be included in that calculation
- when completing relevant forms on PCS which require an estimated contract value to be quoted, you must continue to exclude VAT from the value

- continue to exclude VAT when calculating the estimated value of a contract for procurements which fall under the Procurement Reform (Scotland) Act 2014

Further guidance on [how to calculate the estimated value of the contract can be found on the Procurement Journey.](#)

#### Dissemination

Please bring this SPPN to the attention of all relevant staff, including those in agencies, non-departmental public bodies and other sponsored public bodies within your area of responsibility.