ACS/SGF Submission: Amendment 9 to the Non-Domestic Rates (Scotland) Bill

1. ACS (the Association of Convenience Stores) and the Scottish Grocers' Federation represent the 5,000 local shops and petrol forecourts in Scotland including Co-op, McColls, and thousands of independent retailers, many of which trade under brands such as Spar, Bestway and Londis. Business rates represent one of the largest fixed costs for retailers and we welcome measures in the Non-Domestic Rates Bill to deliver more frequent revaluations and allow Ministers to extend support from Business Growth Accelerator Relief. The business rates system should boost economic growth and support access to local services, and be fair, coherent and predictable for all ratepayers.

2. Amendment 9 is an unnecessary amendment which would damage both small and large businesses in Scotland. Amendment 9 would scrap the uniform business rate and the nationally administered Small Business Bonus Scheme resulting in widespread uncertainty for local shops about their future business rates bills and capacity to invest in their business and the communities they serve. This would undermine the core and widely supported principles of the Non-Domestic Rates Bill to enable ratepayers to invest with more certainty and improve their overall experience of the rates system, by increasing complexity in the system with the potential for 32 different poundage rates across Scotland as well as local levies and supplements.

3. Amendment 9 has not received appropriate scrutiny but if enacted would fundamentally alter the business rates system. The Non-Domestic Rates Bill was introduced to implement the Government's response to the Barclay Review, a thorough and wide-ranging review followed up by an implementation consultation and further stakeholder engagement through the Bill. The content of Amendment 9 has not been subject to proper consultation, economic analysis or impact assessment and the Barclay Review itself explicitly warned against localising rates[1]. We do not support making taxation changes in this way.

4. We urge MSPs from across the Scottish Parliament not to support this amendment but engage in a meaningful conversation with the business community about rates reform, including; incentivising investment, speeding up the appeals process and delivering effective rates reliefs. For more information on this submission, please contact Steve Dowling, ACS Public Affairs Manager, via steve.dowling@acs.org.uk or 01252 533009.

[1] https://www.gov.scot/publications/report-barclay-review-non-domestic-rates/

Business Rates Reliefs

5. The amendment in its current form would remove all nationally-set reliefs and threaten the viability of thousands of local shops. Convenience retailers rely on these rates reliefs; 84% of independent convenience retailers benefit from the Small Business Bonus Scheme[2]. This relief is integral for more than half of retailers to continue trading (53%), maintain employment levels (13%) and continue investing in their business (11%)[3].

6. Removing national reliefs would also make wider Scottish Government objectives more challenging by disincentivising retailer investments and undermining exemptions for reverse vending machines which are essential for the effective delivery of the Deposit Return Scheme in Scotland currently scheduled for 2021.

Business Investment

7. Localising powers to set the poundage rate would increase complexity in the rates system and undermine business investments. Poundage rates are currently set annually and are index linked, providing retailers with some certainty about the impact on their operating costs and capacity to invest in their premises. Under these new proposals there could be 32 different poundage rates set at different levels and times. Such uncertainty makes it difficult for retailers to plan and invest in their stores and could preclude them from trading in some locations, thereby denying communities access to essential services provided by local shops such as Post Offices, bill payment services and free to use ATMs.

Levies and Supplements

8. Control over business rates revenue by local authorities would be used to plug funding gaps through levies and supplements, not promote business growth. Local authorities are experiencing funding cuts and could use the new tax revenue raising powers to fund statutory services. Raising the poundage rate or introducing conditionality through levies and supplements would be an extremely tempting option to raise short-term revenue to cover funding shortfalls but would significantly increase bills for retailers and undermine efforts to support town centres and local parades. This could have a further unintended consequence of undermining support at future ballots for Business Improvement Districts.

9. The Barclay Review agreed that the current framework of national redistribution of business rates revenue supports more consistent and predictable rates bills for retailers and income for local government[4]. Local setting of the poundage rate would also provide far less time for retailers to plan within their business for the year ahead; local authorities set their budgets in February whereas the national poundage rate is set in the Autumn.

[2] ACS Voice of Local Shops Survey: August 2019
[3] ACS Voice of Local Shops Survey: August 2019
[4] https://www.gov.scot/publications/report-barclay-review-non-domestic-rates/

Community Empowerment Act 2015

10. Local authorities have failed to utilise existing business rates powers to support retailers. The Community Empowerment (Scotland) Act 2015 allowed local authorities to reduce rates bills based on their own criteria but only three of the 32 councils have ever used these powers[5]. The lack of engagement by local authorities in the Community Empowerment Act should be a warning sign about the approach that local authorities will take to gaining new tax raising powers.

[5] Scottish Government: Economy Questions. 20 July 2018.