Scotland update – engagement with Committees of the Scottish Parliament

General Features Personal tax

01 July 2019

CIOT made a written submission to the Local Government and Communities Committee in response to its call for evidence on the Non-Domestic Rates (Scotland) Bill. CIOT was also represented at a roundtable on the Land and Buildings Transaction Tax Additional Dwelling Supplement, organised by the Finance and Constitution Committee.

Call for evidence on the Non-Domestic Rates (Scotland) Bill

The Non-Domestic Rates (Scotland) Bill (the Bill) aims to deliver most of the recommendations of the Barclay Review of non-domestic rates that are considered to require primary legislation. The object of the Barclay Review was to make recommendations to enhance and reform the non-domestic rates system in Scotland to better support business growth and long-term investment and reflect changing marketplaces, but to retain the same level of income to deliver local services. In addition, the Bill is intended to improve the experience of ratepayers, both in terms of the rating system and its administration, increase fairness and ensure a level playing field. The CIOT submitted comments to the Barclay Review Group in 2016 and also responded to the Scottish Government's subsequent consultation on the reform of non-domestic rates, in 2018.

The Committee sought views on general areas, such as how the Bill fits into the Scottish Government's programme of non-domestic rates reform and the Scottish Government's response to the Barclay Review; it also requested views on specific proposals contained in the Bill, such as a change to three-yearly revaluations (currently five-yearly), increased information gathering powers and measures to

reduce the high rate of valuation appeals.

Our response noted that the nature of non-domestic rates means that there is a requirement for an efficient and transparent valuation mechanism and related appeals system, and that the overall programme of reform and the Bill go some way to assisting with meeting this need. In particular, some of the key priorities in our view were to move towards more frequent valuations, to reform the appeals system and to delay rate increases for new, refurbished or expanded properties. These are covered in the Bill and help to iron out some of the unfairnesses and problems in the current system.

We were pleased to note that, although relief is available for new properties for 12 months after they are first occupied, they will nevertheless be entered on the valuation roll when they come into existence. As noted in paragraph 49 of the Policy Memorandum, this will ensure integrity and transparency of the valuation roll. We had previously pointed out in our response to the Scottish Government consultation in 2018 that the original proposal, to defer entry on the roll until occupation would present a compliance risk, especially in light of the relief being automatic, rather than application-based.

Changes to the appeal system will mean that the appeal system is no longer risk-free for ratepayers. We noted in our response that we think it is appropriate that an appeal should be able to result in the rateable value remaining the same, decreasing or increasing, and that this may help to reduce speculative and blanket appeals, which currently create congestion in the system.

The full CIOT submission can be found on the CIOT website.

Roundtable on the Land and Buildings Transaction Tax Additional Dwelling Supplement

The CIOT was represented at a roundtable hosted by the Finance and Constitution Committee of the Scottish Parliament, which focused on the implementation of Land and Buildings Transaction Tax (LBTT) Additional Dwelling Supplement (ADS), the operation of the ADS in practice, the impacts on the housing market, and whether there are unintended consequences as a result of this legislation, and if so, how they could be addressed.

CIOT has previously been represented at similar roundtables in December 2018, when the focus was the Scottish government’s approach to taxation within the Scottish Budget for 2019/ 20, and in March 2019, when the focus was Scottish VAT assignment.