THE NON DOMESTIC RATES (CORONAVIRUS) BILL 2021

CALL FOR EVIDENCE ON THE FINANCIAL MEMORANDUM BY THE SCOTTISH PARLIAMENT'S FINANCE AND PUBLIC ADMINSITARTION COMMITTEE

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INTRODUCTION

Information about your organisation

The Scottish Property Federation (SPF) is the voice for the real estate industry in Scotland. We include among our members: property investors, including major institutional pension and life funds; developers; landlords of commercial and residential property; and professional property consultants and advisers. Our members build Scotland's workplaces, homes, shops, schools and other facilities and the infrastructure that serves them. Our industry is therefore central to the Scottish economy.

QUESTIONS 1-7

Administrative questions entered online.

QUESTION 8 Did you take part in any consultation exercise preceding the Bill and, if so, did you comment on the financial assumptions made?

The Finance and Public Administration Committee is aware that this Bill makes similar provisions to the recent Valuation (Coronavirus) Order 2021. That Order had little formal consultation other than the formal parliamentary process. It would be fair to say that the government had signalled its intentions to purse the policies brought into effect by the Valuation Order and this current Bill.

QUESTION 9 If applicable, do you believe your comments on the financial assumptions have been accurately reflected in the FM?

No, the financial memorandum assumptions are based on the potential of 100% changes in rateable value for ratepayers appealing their liabilities based on a Material Change of Circumstances. Beyond this we believe that despite the support offered to Retail, Hospitality, Leisure and Aviation subjects with 100% relief, the plight of those businesses unable to access relief for support while unable to sue or occupy their premises is not reflected in the FM.

QUESTION 10 Did you have sufficient time to contribute to the consultation exercise?

No, there was no formal consultation.

QUESTION 11 If the Bill has any financial implications for you or your organisation, do you believe that they have been accurately reflected in the FM? If not, please provide details.

The financial costs would be borne by our members and their costs have not been accurately reflected. In many cases commercial property investors supported their tenants with rental holidays, delayed or reduced rental arrangements. And yet, where they still saw increased vacancies, they were still obliged to pay rates on buildings they were not allowed or able to let. Thus, the government policy restricted their ability to trade and then taxed them for the privilege.

The financial memorandum seeks to underline a major difference between smaller rateable value properties and larger. Government policy is to exempt those ratepayers with RVs below £15,000 so long as they met wider eligibility criteria (such as the number of properties occupied across Scotland). It is not surprising therefore that a higher proportion of larger rateable value properties would seek to lodge a running roll appeal in the event of an MCC. It is particularly not surprising that those above £95,000 RV appeal given that they are paying a higher large business supplement for a property they were likely prevented from using or occupying due to the changed circumstances of lockdown and government restrictions to support the public health emergency.

QUESTION 12 Do you consider that the estimated costs and savings set out in the FM are reasonable and accurate?

We do not think so. Also, the Bill makes provision to disregard for the purposes of the valuation roll on and after 2 April 2020 any change in rateable value that might be agreed for the period in late March 2020. This is gold-plated retrospective taxation policy, and in effect it is the government disregarding the impact of the pandemic for ratepayers. This will effectively force ratepayers to pay rates based on market rents set before the pandemic materially changed their ability to trade or produce goods and services. It should be noted as well that some ratepayers who will continue to pay rates based on pre-pandemic use and occupation will include public sector ratepayers and this is firmly revealed by the financial memorandum. No estimate has been made of the loss to public sector bodies (including local authorities) who lodged 6,800 appeals as per table 5 and therefore stand to lose out significantly as well as businesses if this Bill is introduced.

QUESTION 13 If applicable, are you content that your organisation can meet any financial costs that it might incur as a result of the Bill? If not, how do you think these costs should be met?

The right to appeal rates liabilities on a material change of circumstances is based on the grounds that if an MCC has occurred then this has impaired a ratepayer's ability to meet their rates liabilities. For ratepayers who will no longer be able to use and occupy their properties to their previous extent, then there is clearly a loss of value to that ratepayer. If the pandemic was not a sudden and unforeseeable material change of circumstance for many ratepayers, then it is hard to envisage what would be accepted by the government as an MCC.

QUESTION 14 Does the FM accurately reflect the margins of uncertainty associated with the Bill's estimated costs and with the timescales over which they would be expected to arise?

The Bill will stop rateable values being amended to reflect the uncertainty caused by the pandemic. With frequent covid variants and consequent changes to government restrictions on the right to use and occupy non-domestic properties, then the financial memorandum does not reflect the margins of uncertainty faced by ratepayers.