

T: 0131 244 7588  
E: douglas.mclaren@gov.scot

**Local Government Finance Circular No. 3/2017**

Directors of Finance of Scottish Local Authorities  
Corporate Director, Convention of Scottish Local Authorities (COSLA)

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Dear Directors

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

Please see enclosed at Annex A further information relating to the Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2017.

The Scottish Government is grateful for input from local authority practitioners and discussions facilitated by the Institute of Revenues, Rating and Valuation (IRRV).

I hope this information is useful, and would be happy to discuss any comments or queries. My contact details are above.

Yours faithfully

**DOUGIE MCLAREN**  
Local Government & Analytical Services Division

## TRANSITIONAL RELIEF 2017-18: INFORMATION FOR LOCAL AUTHORITIES

1. This document sets out illustrative information relating to the Non-Domestic Rates (Transitional Relief) (Scotland) Regulations 2017<sup>1</sup>, but does not prejudice any legislative provision or constitute legal advice. There is no obligation on anyone to refer to it at any stage.

### Eligibility

2. To be eligible for relief under these Regulations, a property must on the day in question in 2017-18 be wholly or mainly used for a purpose (or purposes) specified in the schedule to the Regulations, and must also have been so used as at 31st March 2017 (or, if unoccupied on that date, so used when last occupied).
3. Accordingly, a property that is not in use (i.e. unoccupied) at a particular time is not eligible for this relief at that time. However a previously unoccupied property can be eligible once occupied in line with paragraph 2 above.
4. A property can continue to be eligible for this relief upon a change of ratepayer, provided the required application has been made.
5. A property that is a split, reorganisation or merger with effect from 2 April 2017 or later is not eligible for relief under these Regulations.

### Transitional limit

*Properties that are not splits or reorganisations with effect from 1 April 2017*

6. The scheme applies a 12.5% limit to the real increase in gross bills between 2016-17 and 2017-18. This is done by comparing the day in question in 2017-18 with 31 March 2017.
7. The factor for limiting increases is 1.1475, derived from the 12.5% limit and the 2.0% Retail Price Index figure (year to September 2016) representing inflation; i.e.  $1.125 \times 1.02 = 1.1475$ .
8. The gross bill for these purposes is the rateable value (RV) multiplied by the non-domestic rate plus, where applicable, the large business supplement<sup>2</sup>. For mergers taking effect on 1 April 2017, the comparison is with the 'relevant old entries' on 31 March 2017.

<sup>1</sup> [www.legislation.gov.uk/ssi/2017/85/contents/made](http://www.legislation.gov.uk/ssi/2017/85/contents/made)

<sup>2</sup> The non-domestic rate is 48.4p for 2016-17 and 46.6p for 2017-18. The large business supplement for 2016-17 is 2.6p for a property with rateable value over £35,000, and for 2017-18 is 2.6p for a property with rateable value over £51,000.

*Properties that are splits or reorganisations with effect from 1 April 2017*

9. Given that splits and reorganisations do not have readily comparable rateable values for the 'relevant old entries', for these properties the scheme does not refer to a change in gross bill from 2016-17.
10. Instead the scheme applies a reduction to the 2017-18 gross bill (by dividing by 1.25) to derive the base liability. The transitional limit is then derived by applying the 12.5% real-terms uplift (by multiplying by 1.1475).

**Interaction with other reliefs**

11. Other mandatory reliefs (i.e. under other legislation) are applicable to the transitional limit where the latter has effect.

**Former full relief properties**

12. Irrespective of whether the transitional limit has effect, or whether other reliefs also have effect, an eligible property which had a rateable value of no more than £10,000 on 31 March 2017 and received 100% rates relief for that day will receive a 50% relief for 2017-18 (subject to any other reliefs for which it is eligible).
13. This 50% relief is applicable to the transitional limit (subject to other mandatory reliefs where applicable) where the transitional limit has effect.
14. A property that is a split, reorganisation or merger with effect from 1 April 2017 or later is not eligible for this 50% relief.

**Application form**

15. This relief can only be awarded insofar as is compatible with European Commission State aid rules, and specifically the 'de minimis' regulation<sup>3</sup>.
16. A statutory application form from the ratepayer is required, to enable the local authority to consider the State aid position and apply the relief accordingly. If the property's rateable occupier subsequently changes, then a separate application form may be necessary.
17. Further information on State aid is available on the Scottish Government website<sup>4</sup>, and the State Aid Team offers advice to local authorities.

**Examples**

18. The examples shown below are illustrative only.

<sup>3</sup> [http://ec.europa.eu/competition/state\\_aid/legislation/de\\_minimis\\_regulation\\_en.pdf](http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf)

<sup>4</sup> [www.gov.scot/Topics/Government/State-Aid](http://www.gov.scot/Topics/Government/State-Aid)

Example 1

RV in 2016-17 of **£20,000** (the property is therefore not a 'former full relief property'); gross bill for 2016-17 of £9,680 (£20,000 x 48.4p).

RV in 2017-18 of **£22,000**; gross bill for 2017-18 of £10,252 (£22,000 x 46.6p).

The transitional limit is £11,108 (£9,680 x 1.1475), which is greater than £10,252 and therefore does not have effect.

**No transitional relief.**

Example 2

RV in 2016-17 of **£20,000** (the property is therefore not a 'former full relief property'); gross bill for 2016-17 of £9,680 (£20,000 x 48.4p).

RV in 2017-18 of **£30,000**; gross bill for 2017-18 of £13,980 (£30,000 x 46.6p).

The transitional limit is £11,108 (£9,680 x 1.1475), which is less than £13,980 and therefore has effect.

**Transitional relief reduces the bill from £13,980 to £11,108.**

Example 3

RV in 2016-17 of **£40,000** (the property is therefore not a 'former full relief property'); gross bill for 2016-17 of £20,400 (£40,000 x 51.0p).

RV in 2017-18 of **£55,000**; gross bill for 2017-18 of £27,060 (£55,000 x 49.2p).

The transitional limit is £23,409 (£20,400 x 1.1475), which is less than £27,060 and therefore has effect.

**Transitional relief reduces the bill from £27,060 to £23,409.**

Example 4

RV in 2016-17 of **£10,000**; the property did not receive 100% relief in 2016-17 (it is therefore not a 'former full relief property'); gross bill for 2016-17 of £4,840 (£10,000 x 48.4p).

RV in 2017-18 of **£20,000**; gross bill for 2017-18 of £9,320 (£20,000 x 46.6p).

The transitional limit is £5,554 (£4,840 x 1.1475), which is less than £9,320 and therefore has effect.

**Transitional relief reduces the bill from £9,320 to £5,554.**

Example 5

RV in 2016-17 of **£10,000**; the property received 100% relief for 2016-17 (it is therefore a 'former full relief property'); gross bill for 2016-17 of £4,840 (£10,000 x 48.4p).

RV in 2017-18 of **£20,000**; gross bill for 2017-18 of £9,320 (£20,000 x 46.6p).

The transitional limit is £5,554 (£4,840 x 1.1475), which is less than £9,320 and therefore has effect.

As the property is a 'former full relief property', a separate 50% relief is applied, reducing the bill to £2,777 (£5,554 x 0.5).

**Transitional relief reduces the bill from £9,320 to £2,777.**

Example 6

RV in 2016-17 of **£10,000**; the property received 100% relief for 2016-17 (it is therefore a 'former full relief property'); gross bill for 2016-17 of £4,840 (£10,000 x 48.4p).

RV in 2017-18 of **£16,000**; gross bill for 2017-18 of £7,456 (£16,000 x 46.6p); the property is eligible for 25% SBBS relief for 2017-18.

The transitional limit is £5,554 (£4,840 x 1.1475), which is less than £7,456 and therefore has effect.

SBBS 25% relief further reduces the bill to £4,165 (£5,554 x 0.75).

As the property is a 'former full relief property', a separate 50% relief is applied, reducing the bill to £2,083 (£4,165 x 0.5).

**Transitional relief together with SBBS relief reduces the bill from £7,456 to £2,083.**

Example 7

The property is a merger of two 'relevant old entries' taking effect on 1 April 2017 (it is therefore not a 'former full relief property').

RV in 2016-17 of **£30,000** and **£40,000**; total gross bill for 2016-17 of £34,920 ((£30,000 x 48.4p) + (£40,000 x 51.0p)).

RV in 2017-18 of **£90,000**; gross bill for 2017-18 of £44,280 (£90,000 x 49.2p).

The transitional limit is £40,071 (£34,920 x 1.1475), which is less than £44,280 and therefore has effect.

**Transitional relief reduces the bill from £44,280 to £40,071.**

Example 8

The property is a split taking effect on 1 April 2017 (it is therefore not a 'former full relief property').

(NB. a reorganisation taking effect on 1 April 2017 would also be treated as per this example).

RV in 2017-18 of **£16,000**; gross bill for 2017-18 of £7,456 (£16,000 x 46.6p); the property is eligible for 25% SBBS relief for 2017-18.

The base liability is £5,965 (£7,456 ÷ 1.25). The transitional limit is £6,845 (£5,965 x 1.1475), which is less than £7,456 and therefore has effect.

SBBS 25% relief further reduces the bill to £5,133 (£6,845 x 0.75).

**Transitional relief together with SBBS relief reduces the bill from £7,456 to £5,133.**