

Revaluation 2017 in Scotland

June 2017

REVALUATION 2017 IN SCOTLAND

Introduction

1. This paper presents an analysis of the changes in rateable value of non-domestic properties in Scotland following the 2017 revaluation, together with the key non-domestic rates policies taking effect for 2017-18. The table below outlines the main points.

Overview of the 2017 revaluation			
	2016-17	2017-18	% increase
Total rateable value (excluding designated utilities)	£6,215m	£6,561m	6%
Total rateable value (including designated utilities)	£6,815m	£7,358m	8%
Key policy changes			
	2016-17	2017-18	Resulting in...
Poundage rate	48.4p	46.6p	Reduction in bills of over £100m per annum (before reliefs)
Small Business Bonus Scheme - upper threshold for 100% rates relief (total rateable value)	£10,000	£15,000	100,000 properties paying no rates as a result of SBBS alone
Large Business Supplement - lower threshold (rateable value)	£35k	£51k	8,000 fewer properties paying the supplement (which remains 2.6p)
Cap on rates increases for certain property uses, including: hotels; pubs; restaurants; hydropower up to 1 MW; offices in Aberdeen & Aberdeenshire.	-	Real-terms 12.5% cap	Up to 9,500 properties eligible for a relief package worth up to £40m
Mandatory rural rates relief	50%	100%	Up to 600 rural properties benefiting
What this means for businesses in Scotland			
At least 50% of properties paying no rates at all in 2017-18	Average net bills (after reliefs) reducing by 2-3% in cash terms*		Poundage rate reduced by 3.7%
Rates cap providing up to £40m of support to up to 9,500 properties, while all revaluation decreases take effect immediately		At least 70% of properties see either a reduction or no change in their net bill (after reliefs) following revaluation	

* Excluding designated utilities. No adjustment for inflation or valuation appeals.

Background

2. The revaluation took effect on 1 April 2017. The previous revaluation took effect in 2010 and, under current legislation, the next revaluation is due to take effect in 2022.

3. The purpose of revaluation is to ensure that the tax burden is distributed fairly by taking account of changes over time in market conditions and individual business circumstances. At each revaluation the Scottish Assessors, who are independent of both the Scottish Government and local authorities, assess a rateable value (RV) for each non-domestic property in Scotland (subject to statutory exemptions) taking account of the location and the type of property in question. Details of the approaches the Assessors use to calculate rateable values are published in practice notes¹.

4. All valuations are carried out by the Assessors as at the same fixed date to ensure fairness and allow sufficient time for the Assessors to gather all the necessary evidence. For the 2017 revaluation this date, known as the 'tone date', is 1 April 2015. For the 2010 revaluation, the tone date was 1 April 2008.

5. By and large, rateable values increase in those sectors and locations where market values have increased between the revaluation tone dates. Similarly, rateable values generally fall for sectors and locations where market values have fallen over the same period.

6. Each proprietor, tenant or occupier can appeal their revaluation via independent processes. The deadline for lodging 2017 revaluation appeals (with the Assessor in the first instance) is 30 September 2017 or six months from the date of issue of the valuation notice, whichever is later.

7. A property's non-domestic rates bill is calculated by multiplying its rateable value by the poundage (the pence in the pound tax rate) together with the large business supplement where applicable (both are set annually by Scottish Ministers), subject to any relief for which it is eligible. This means that **the effects of the revaluation alone are not the same as the changes in rates bills that businesses are actually liable to pay.**

Revaluation 2017

8. Provisional revaluations were made available online at the Scottish Assessors Association website² from 15 December 2016. Final revaluation notices were generally issued by the Assessors around mid-March 2017, with revaluations able to be viewed online from 1 April 2017. Rates bills for 2017-18 issued separately from local authorities.

9. Total rateable value for all properties on the valuation roll at 1 April 2017 was £7,358 million, compared with rateable value at 31 March 2017 of £6,815 million.

10. Table 1 shows that the largest proportional increases in rateable value have generally occurred in properties with smaller rateable values, many of which qualify for

¹ www.saa.gov.uk/non-domestic-valuation/draft-2017-practice-notes

² www.saa.gov.uk

relief via the Small Business Bonus Scheme. As such, these properties are not necessarily seeing increases in their bill as a result of revaluation. The rateable value of larger properties has, in total, remained broadly constant. The rateable values for ‘designated utilities’ (typically large utility companies whose property is valued on a nationwide basis)³ have seen changes in rateable value that are not representative of the wider tax base, and have been set out separately throughout this document. The Annex discusses this and other data issues that affect this analysis of rateable values.

Table 1: Changes in rateable value at 2017 revaluation, by ‘old’¹ RV band

RV band (old ¹ RV)	Old ¹ RV (£m)	New RV (£m)	RV change (£m)	RV change (%)
Zero-rated / other ²	-	178	178	N/A
£1 to £18,000	907	1,034	128	14%
£18,001 to £51,000	834	873	39	5%
Over £51,000 (exc utilities)	4,474	4,475	1	0%
SCOTLAND (exc utilities)	6,215	6,561	346	6%
Designated utilities	600	797	196	33%
SCOTLAND (inc utilities)	6,815	7,358	542	8%

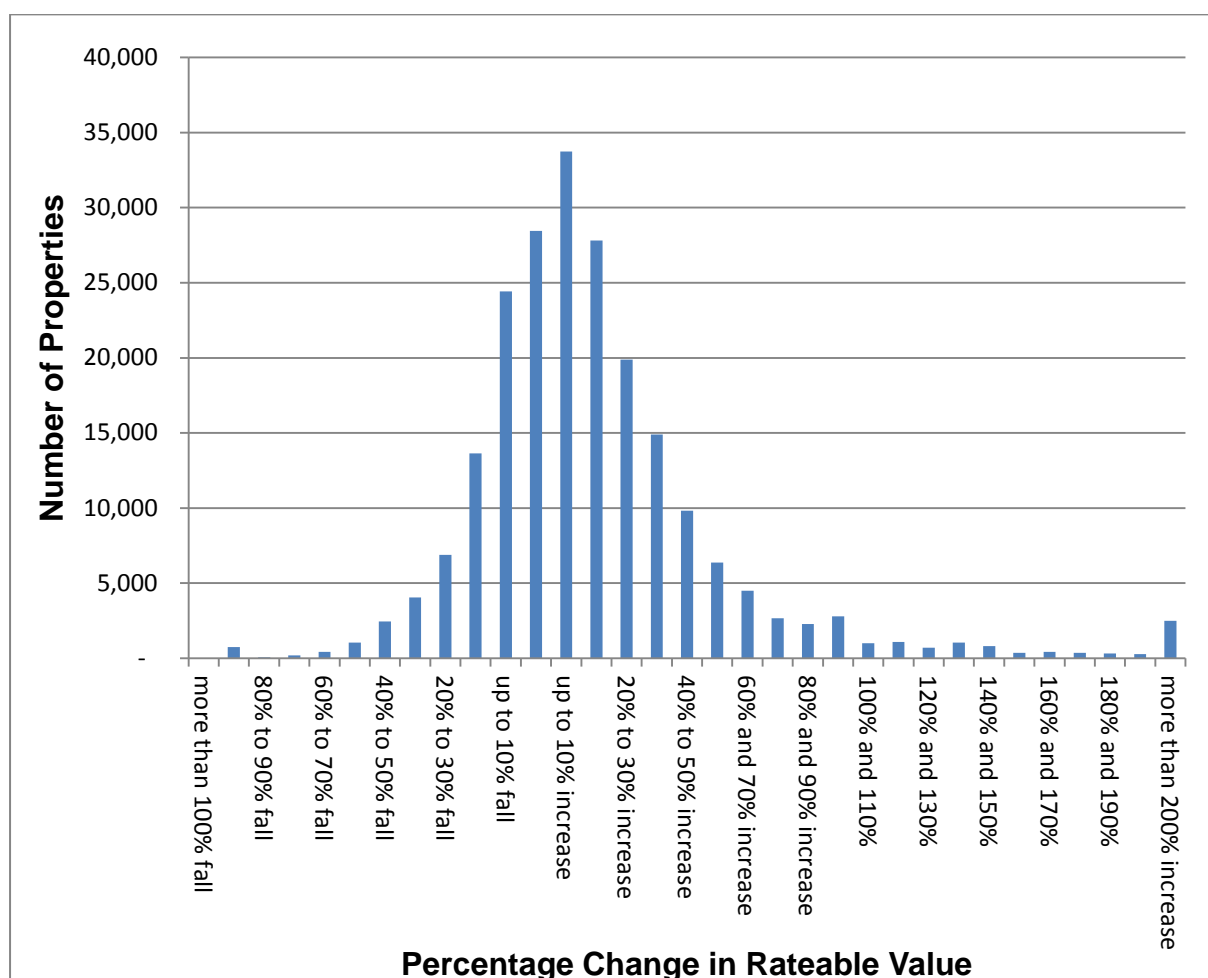
1. ‘Old’ RV refers to RV at 31 March 2017. New RV refers to RV at 1 April 2017.

2. “Other” can refer to instances where a change in respect of an entry in the valuation roll means that a direct comparison cannot be made between 31 March 2017 and 1 April 2017. This could be due to a property split or merger, or an administrative change implemented at revaluation. The Annex describes the main factors affecting data analysis in more detail.

11. Aggregate-level data can obscure variations on a property-by-property level. Figure 1 shows the distribution of rateable value changes across the tax base.

³ Legislation provides that certain utilities are valued at a national (Scotland) level by designated assessors.

Figure 1: Rateable value change distribution at 2017 revaluation



12. As can be seen in Figure 1, the majority of properties saw relatively moderate rises or falls in RV at revaluation. However, some outliers saw larger increases. The majority of these properties have relatively low RV, with nearly three-quarters having a new RV of under £15,000 (i.e. potentially eligible for 100% relief under the Small Business Bonus Scheme).

13. Table 2 shows total RV changes by sector⁴. Shops and offices both show overall decreases in RV, while industrial and health/medical properties show an overall increase in RV. The category “other” includes a wide variety of different property classes, and the larger increase is driven by sub-sectors such as hotels and public houses. However other sub-sectors in this category, such as petrochemicals and quarries, show more modest rises in rateable value.

⁴ Assessors’ classifications and up-to-date statistics are accessible at www.saa.gov.uk/general-statistics.

Table 2: Changes in rateable value, at 2017 revaluation by sector

Sector	At 31 March 2017		At 1 April 2017*		Change in Total RV (£m)	Change in Total RV (%)
	Number of Properties	Total RV (£m)	Number of Properties	Total RV (£m)		
Shops	53,582	1,632	53,709	1,612	-20	-1%
Offices ¹	41,416	1,144	44,061	1,083	-62	-5%
Industrial	48,676	1,151	49,050	1,256	105	9%
Health and Medical	6,881	730	6,938	788	57	8%
Other	77,184	1,557	79,597	1,823	266	17%
Total (excluding designated utilities)	227,739	6,215	233,355	6,561	346	6%
Designated utilities	31	600	31	797	196	33%
All Scotland	227,770	6,815	233,386	7,358	542	8%

1. Due to valuation roll entries for certain properties being split at revaluation, the reduction in RV for offices appears larger than it would on a like for like basis (where it would be closer to -3%).

14. Table 3 shows RV changes by local authority. Aberdeen City, Aberdeenshire and Argyll and Bute have seen the largest overall increases in RV, with Inverclyde, North Lanarkshire, West Dunbartonshire and West Lothian all seeing an overall decrease.

Table 3: Rateable value changes at 2017 revaluation, by local authority

Local authority	At 31 March 2017		At 1 April 2017		Change in Total RV (£m)	Change in Total RV (%)
	Number of Properties	Total RV (£m)	Number of Properties	Total RV (£m)		
Aberdeen City	8,790	484	9,543	594	109	23%
Aberdeenshire	12,069	239	11,884	287	48	20%
Angus	4,878	78	4,884	80	2	2%
Argyll & Bute	8,502	90	8,516	110	19	22%
Clackmannanshire	1,548	38	1,553	42	4	11%
Dumfries & Galloway	9,403	118	9,396	123	5	4%
Dundee City	5,734	188	5,853	187	-1	0%
East Ayrshire	3,925	80	3,953	80	1	1%
East Dunbartonshire	2,362	68	2,388	69	1	2%
East Lothian	3,424	69	3,483	75	6	8%
East Renfrewshire	1,751	42	1,751	43	1	3%
Edinburgh, City of	20,520	908	22,855	946	38	4%
Eilean Siar	2,471	24	2,470	26	3	11%
Falkirk	4,904	170	4,995	178	8	5%
Fife	13,530	336	13,643	335	-1	0%
Glasgow City	25,997	1,000	27,246	1,017	17	2%
Highland	17,864	286	17,860	313	27	9%
Inverclyde	2,344	61	2,345	57	-4	-6%
Midlothian	2,922	78	3,023	84	6	8%
Moray	4,662	93	4,609	108	15	16%
North Ayrshire	5,032	110	5,063	115	5	4%
North Lanarkshire	9,913	300	10,013	292	-8	-3%
Orkney Islands	2,133	26	2,175	29	3	10%
Perth & Kinross	8,594	150	8,621	160	10	7%
Renfrewshire	6,449	209	6,493	218	9	4%
Scottish Borders	7,324	92	7,191	107	15	16%
Shetland Islands	1,975	54	2,056	61	7	12%
South Ayrshire	4,804	109	4,841	115	6	5%
South Lanarkshire	9,893	303	9,948	302	-1	0%
Stirling	5,115	116	5,302	123	7	6%
West Dunbartonshire	2,891	78	2,923	76	-2	-2%
West Lothian	6,016	217	6,479	208	-9	-4%
Total (excluding designated utilities)	227,739	6,215	233,355	6,561	346	6%
Designated Utilities	31	600	31	797	196	33%
All Scotland	227,770	6,815	233,386	7,358	542	8%

15. Table 4 shows RV changes in more detail, in particular how many properties in each local authority have seen a rise, a fall or no change, together with average movements in RV.

Table 4: Proportion of properties with rateable value increase/decrease at 2017 revaluation, by local authority

Local Authority	Properties with RV decrease / no change (%)	Properties with RV increase (%)	Average change in RV (£000s)
Aberdeen City	19%	81%	11.2
Aberdeenshire	26%	74%	3.8
Angus	50%	50%	0.4
Argyll & Bute	28%	72%	2.3
Clackmannanshire	28%	72%	2.7
Dumfries & Galloway	38%	62%	0.7
Dundee City	60%	40%	-0.2
East Ayrshire	38%	62%	0.1
East Dunbartonshire	51%	49%	0.5
East Lothian	27%	73%	1.8
East Renfrewshire	54%	46%	0.6
Edinburgh, City of	35%	65%	2.9
Eilean Siar	31%	69%	1.1
Falkirk	37%	63%	1.9
Fife	52%	48%	-0.2
Glasgow City	52%	48%	1.4
Highland	27%	73%	1.5
Inverclyde	57%	43%	-1.5
Midlothian	30%	70%	2.3
Moray	20%	80%	2.6
North Ayrshire	38%	62%	0.9
North Lanarkshire	61%	39%	-0.8
Orkney Islands	28%	72%	1.2
Perth & Kinross	37%	63%	1.1
Renfrewshire	54%	46%	1.2
Scottish Borders	22%	78%	2.1
Shetland Islands	37%	63%	3.2
South Ayrshire	36%	64%	0.8
South Lanarkshire	53%	47%	-0.2
Stirling	37%	63%	1.5
West Dunbartonshire	47%	53%	-0.6
West Lothian	43%	57%	-1.0
Total (excluding designated utilities)	40%	60%	1.6
Designated Utilities	48%	52%	6,336.3
All Scotland	40%	60%	2.5

Note: This table includes only properties shown in comparable entries on the roll both at 31 March and at 1 April (222,480 properties of the total 227,770 properties on the roll at 1st April). It excludes those which, for various reasons (see paragraph 1 of the Annex), were not shown in comparable entries on both rolls.

Revaluation – setting the poundage

16. Typically, the poundage for the year following a revaluation would be set on the basis of the total rates income for the years following the revaluation being broadly the same as it would have been in the absence of a revaluation, though recognising that some individual businesses will pay more and others less.

17. In practice this does not mean that revenues are the same in the year before and the year after a revaluation. For example, any ‘revenue neutral’ poundage should include an inflationary adjustment, and an adjustment to reflect that rateable value (and therefore revenue) will be reduced following valuation appeals over the revaluation cycle. As well as changes in the tax base, policy changes such as the expansion of the Small Business Bonus Scheme also have an impact on revenues.

18. For 2017-18 the lower threshold for the large business supplement was increased from over £35,000 to over £51,000. The supplement remains at 2.6p.

Changes to reliefs following revaluation

Small Business Bonus Scheme (SBBS)

19. Eligibility for the Small Business Bonus Scheme (SBBS) is based on total RV relating to an individual ratepayer. For 2017-18 the threshold for 100% relief has been raised from total RV of £10,000 to £15,000. Table 5 shows the changes.

Table 5: Changes in the Small Business Bonus Scheme for 2017-18

	Total rateable value			
	up to £10,000*	£10,001 to £12,000*	£12,001 to £15,000*	£15,001 to £18,000*
2016-17 relief	100%	50%	25%	25%
2017-18 relief	100%	100%	100%	25%

*Where a ratepayer’s total RV is up to £35,000, each individual property with an RV up to £18,000 continues to be eligible for 25% relief.

Transitional relief

20. Transitional arrangements can be made following a revaluation to phase in rates increases and decreases relating to the largest changes in rateable values – designed to be revenue-neutral. Referred to as ‘transitional relief’, Scotland did not have such a scheme following the 2010 revaluation. For the 2005 revaluation a three-year scheme was implemented.

21. The Scottish Government again decided not to implement transitional relief across the tax base following the 2017 revaluation, as it would have largely benefited big utility companies at the expense of many smaller businesses. For example, of those businesses whose RV increased by more than 25% (those likely to gain from a transitional relief scheme), around 40% of the total RV increase above this threshold is attributable to 13 large utility companies. Of those businesses whose RV decreased

(those likely to fund a TR scheme), a third of the total RV decrease can be attributed to around 47,000 properties with RV up to £51,000 (i.e. under the large business supplement threshold).

New reliefs following 2017 revaluation

Capping bill increases for certain properties

22. As a result of the revaluation, hotels were facing average increases in rateable value of around 40%, with many larger individual increases, which is significantly higher than average increases seen in other sectors. Relatively high increases were also seen in the pubs sector.

23. Small hydropower schemes on average also faced relatively high RV increases. This was most marked for smaller schemes up to 1 megawatt capacity.

24. Offices in Aberdeen and Aberdeenshire also saw average RV increases higher than elsewhere. This is the local area that has been most adversely affected by the oil and gas downturn.

25. In light of this, and having engaged with businesses, a real-terms 12.5% per cap on 2017-18 rates increases is being applied to hotels and other accommodation, pubs, restaurants/cafés, hydro up to 1 megawatt, and offices in Aberdeen and Aberdeenshire.⁵

Other policy changes

26. In line with the policy objective to support district heating, a 50% relief has been implemented for district heating properties.

27. Other existing reliefs continue unchanged, with the exception of mandatory rural rate relief which has increased from 50% to 100%, and new-build renewables relief being extended to 25% for hydro schemes up to 1 megawatt. In total a relief package worth around £660 million per annum is in place for 2017-18.

Outcomes

28. Following the revaluation, and as a result of changes to the poundage, large business supplement and reliefs, 70% of ratepayers are seeing their rates bills reducing or staying the same, with half paying nothing. The Small Business Bonus Scheme alone is lifting 100,000 properties out of rates, saving up to £6,990 per property. Around 8,000 fewer properties are paying the large business supplement.

⁵ This cap is referred to in legislation as transitional relief; however it does not cap any bill reductions, is not revenue-neutral and is fully funded by the Scottish Government.

Outlook

29. The Scottish Government continues to engage stakeholders regarding the effects of the 2017 revaluation and our on-going policy approach.

30. An external review, led by Ken Barclay, has been exploring how non-domestic rates might better reflect economic conditions and support investment and growth. It is due to conclude in summer 2017, and the Scottish Government will respond swiftly.

Annex – Factors affecting data analysis of the 2017 revaluation

Splits and mergers

1. Over time, the number of properties on the valuation roll changes as properties come into existence or occupation, are split or merged, or are demolished. As a result of this, not every current entry in the roll can be directly ‘matched’ to a pre-revaluation entry, and vice versa. Where possible, aggregate data has been used for the analysis in this publication to avoid in so far as is possible any distortionary effect related to splits or mergers. However for certain analysis (notably table 4) only properties that can be matched on a like for like basis were used. The matched data set contains slightly fewer properties for this reason.

2. There were more splits and mergers at the 2017 revaluation than at prior revaluations due to a recent Supreme Court judgment⁶. Following this ruling, the Assessors split a number of entries in the old valuation roll into two or more entries with effect from 1 April 2017. This has implications for both the RVs and the rates liabilities, and needs borne in mind when making comparisons before and after revaluation; for example many multi-storey office premises and related car parking have been split into separate rateable properties.

Designated utilities

3. In many of the tables above, the ‘designated utilities’ on the valuation roll have been presented separately to the rest of the tax base.

4. These utilities are set out in legislation⁷, each having a designated Assessor and rating authority to value and bill in respect of each property at a national level. As such, they are not treated the same way as other rateable properties.

5. This small number of entries in the valuation roll represents a relatively large amount of RV, which has faced a different revaluation effect from the remainder of the tax base.

⁶ <https://www.supremecourt.uk/cases/uksc-2013-0117.html>

⁷ <http://www.legislation.gov.uk/ssi/2005/127/contents/made>



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