

PE1648/N

West Lothian Council submission of 21 July 2017

Background

Petition PE1648 calls on the Scottish Government to abolish or freeze business rates for nurseries.

West Lothian Council Response

- Presumably the petition, if approved would affect all nurseries, both in the public and private sector.

Abolition

- This would create a difficult precedent in that it would remove a specific class of property from the Valuation Roll.
- Unless there were very specific reasons for such a move, it might encourage similar petitions from others to remove additional property classes.
- It is not clear whether abolition would involve the removal of all nurseries from the Valuation Roll, or whether these subjects would remain in the Roll at a nil value.
- Any abolition of rates on this class of property would reduce the overall rating base from which non-domestic rates are derived.
- Any reduction in the overall rating base would lead to a reduction in overall income from non-domestic rates unless this reduction was replaced through some other means.
- Replacement of any loss of income through the rating system could place a pressure on the non-domestic rate poundage, and the prospect of this being raised in order to make up any shortfall.
- Current classes of property which are exempt from rates under current rating legislation are relatively few, and suggested abolition would run contrary to this and also the review of formerly exempt classes to bring them back into the rating system. e.g. sporting rates
- The Barclay Review of Business Rates in Scotland has consulted with a large number of stakeholders, including the Federation of Small Businesses and the CBI, and as such may consider these issues.

Freeze

- A freeze would not remove the subjects from the Valuation Roll, and therefore would not incur the possible difficulties raised by possible abolition.
- A freeze could be a temporary period, or on a tapered basis, or both, in order to allow a period of adjustment or transition from the previous level of rates payments to the new level of payment following the revaluation.

- The Scottish Government has already agreed to cap the levels of rates rises in the hospitality sector and for office properties in Aberdeen. Whilst not a freeze, a similar cap could provide respite for those nurseries where the level of rates payments is a significant issue.
- Again, if a freeze is to be employed for one class of property, it may encourage other classes to seek a similar concession.
- The current Small Business Bonus Scheme may be of benefit to some smaller nurseries in the private sector.
- The forthcoming Barclay Review may as part of its report some comments on this type of issue, particularly if it has been raised by stakeholders as part of the overall consultation process.

Conclusions

- The abolition of rates on Nurseries potentially creates a number of issues for the future of the rating system in general.
- Whilst a freeze would create fewer problems than abolition, it would still raise a number of potential issues in other areas.
- All owners and/or occupiers of Nurseries would be affected by any abolition or freeze of business rates. This would include both nurseries in the private and public sectors.
- West Lothian Council would benefit directly from any abolition or freeze of business rates on nurseries. However, it could face indirect consequences in the event that a shortfall in its share of business rates income emerges as a result of changes to the current position.
- The Barclay Review of Business Rates in Scotland is due to report soon and may cover a number of the issues raised above.
- Future policy in this area should be guided by the outcomes and recommendations in the Barclay Review, rather than dealing with individual areas in isolation.